KPMG

PACE UNIVERSITY

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors’ Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
Pace University:

We have audited the accompanying financial statements of Pace University (the University), which comprise the balance sheets as of June 30, 2021 and 2020, and the related statements of activities 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

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

Emphasis of Matter

As discussed in Note 2(c) to the financial statements, the University adopted Accounting Standards Update (ASU) 2016-02, *(Topic 842): Leases*, on a modified retrospective basis. Our opinion is not modified with respect to this matter.

KPMG LLP

November 16, 2021

PACE UNIVERSITY

Balance Sheets

June 30, 2021 and 2020

Assets		2021	2020
Cash and cash equivalents	$	52,196,384	22,842,030
Student accounts receivable (net of allowance for doubtful accounts of $4,500,000 and $3,981,263, respectively)		14,731,762	13,240,349
Grants and other receivables		3,492,117	3,049,725
Prepaid expenses and other assets		4,323,578	4,698,294
Contributions receivable, net (note 4)		11,205,812	20,946,506
Investments – endowment and other (notes 5 and 6)		255,310,657	197,969,438
Investments – designated for construction (note 7)		6,509,427	9,232,720
Student loans receivable (net of allowance for doubtful accounts of $4,901,146 and $5,071,972, respectively)		5,757,263	7,336,141
Funds held by bond trustees, at fair value (note 11)		1,533,155	1,438,821
Right of use assets (notes 2(m) and 17)		339,359,374	—
Plant assets, net (note 9)		443,639,652	426,646,279
Total assets	$	1,138,059,181	707,400,303
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	64,118,846	45,547,107
Deferred revenues and deposits		9,635,659	32,037,533
Long-term debt (notes 11 and 12)		186,746,010	191,301,590
Operating lease liabilities (notes 2(m) and 17)		401,177,475	—
Asset retirement obligations		6,565,234	6,219,450
Deferred rental obligations (note 17)		—	41,684,339
Accrued postretirement health benefits obligation (note 13)		55,515,539	62,298,185
U.S. government grants refundable		9,315,608	10,761,792
Total liabilities		733,074,371	389,849,996
Commitments and contingencies (notes 5, 10,12,17, and 20)			
Net assets (note 15):			
Net assets without donor restrictions:			
General		174,437,470	155,565,156
Accrued postretirement health benefits obligation		(55,515,539)	(62,298,185)
Total net assets without donor restrictions		118,921,931	93,266,971
Net assets with donor restrictions:			
Purpose and/or time restricted		162,977,910	111,953,469
Endowment fund corpus		123,084,969	112,329,867
Total net assets with donor restrictions		286,062,879	224,283,336
Total net assets		404,984,810	317,550,307
Total liabilities and net assets	$	1,138,059,181	707,400,303

See accompanying notes to financial statements.

PACE UNIVERSITY

Statements of Activities

Years ended June 30, 2021 and 2020

	2021			2020		
	Without donor restrictions	**With donor restrictions**	**Total**	**Without donor restrictions**	**With donor restrictions**	**Total**
Revenues:						
Tuition and fees, net (note 16)	$ 283,088,763	—	283,088,763	288,872,278	—	288,872,278
Government grants and contracts	44,387,948	—	44,387,948	13,000,492	—	13,000,492
State appropriations	919,006	—	919,006	824,282	—	824,282
Contributions	2,311,680	14,142,503	16,454,183	2,356,618	10,711,214	13,067,832
Investment return appropriated	733,322	5,964,718	6,698,040	1,805,312	5,769,792	7,575,104
Sales and services of auxiliary enterprises	41,368,216	—	41,368,216	62,176,030	—	62,176,030
Other sources	3,055,146	—	3,055,146	5,656,636	—	5,656,636
Net assets released from restrictions	13,289,543	(13,289,543)	—	11,119,370	(11,119,370)	—
Total revenues	389,153,624	6,817,678	395,971,302	385,811,018	5,361,636	391,172,654
Expenses:						
Instruction	134,563,226	—	134,563,226	137,417,594	—	137,417,594
Research	3,499,576	—	3,499,576	3,746,407	—	3,746,407
Academic support	53,685,863	—	53,685,863	54,962,742	—	54,962,742
Student services	37,266,731	—	37,266,731	45,194,653	—	45,194,653
Institutional support	59,861,799	—	59,861,799	62,315,944	—	62,315,944
Auxiliary enterprises	68,789,749	—	68,789,749	70,437,170	—	70,437,170
Student scholarship – CARES Act	14,413,655	—	14,413,655	4,281,053	—	4,281,053
Total expenses	372,080,599	—	372,080,599	378,355,563	—	378,355,563
Excess (deficiency) of operating revenues over expenses	17,073,025	6,817,678	23,890,703	7,455,455	5,361,636	12,817,091
Nonoperating activities:						
Investment return, net	3,338,560	54,581,185	57,919,745	17,144	1,967,502	1,984,646
Changes in postretirement health benefits obligation other than net periodic cost	2,165,701	—	2,165,701	360,007	—	360,007
Net periodic benefit costs other than service costs	3,073,968	—	3,073,968	1,132,802	—	1,132,802
Other	3,706	380,680	384,386	53,369	(25,866)	27,503
Nonoperating activities, net	8,581,935	54,961,865	63,543,800	1,563,322	1,941,636	3,504,958
Change in net assets	25,654,960	61,779,543	87,434,503	9,018,777	7,303,272	16,322,049
Net assets at beginning of year	93,266,971	224,283,336	317,550,307	84,248,194	216,980,064	301,228,258
Net assets, end of year	$ 118,921,931	286,062,879	404,984,810	93,266,971	224,283,336	317,550,307

See accompanying notes to financial statements.

PACE UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2021 and 2020

		2021	2020
Cash flows from operating activities:			
Change in net assets	$	87,434,503	16,322,049
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Net appreciation in fair value of investments		(62,581,254)	(7,190,061)
Net (appreciation) depreciation in investments designated for construction		—	6,243
Net (appreciation) depreciation in fair value in split-interest agreement investments		(405,300)	57,732
Investment return on funds held by bond trustee		(3,706)	(53,369)
Change in value of split-interest agreement liabilities		32,359	(20,501)
Postretirement related changes other than net periodic pension cost		(2,165,701)	(360,007)
Provision for doubtful student loans receivable		(170,826)	40,628
Deferred rental revenue		—	(944,196)
Depreciation		18,963,922	19,426,505
Amortization of asset retirement obligation		345,784	353,123
Amortization of bond premium, net of bond discount accretion		(285,186)	(285,186)
Amortization of bond issuance costs		144,606	144,606
Reduction in the carrying amount of the right-of-use asset – operating leases		19,287,962	—
Revenues and losses restricted for permanent investment and capital		(11,726,479)	(5,177,501)
Changes in operating assets and liabilities:			
Student accounts receivable, net of allowance		(1,491,413)	(2,702,585)
Government grants and other receivables		(442,392)	1,318,526
Prepaid expenses and other assets		374,716	(247,561)
Contributions receivable, net		(3,424,324)	3,217,202
Noncapital accounts payable and accrued liabilities		15,008,698	(88,109)
Deferred revenues and deposits		(9,309,843)	8,885,070
Deferred rent obligation		287,937	6,509,843
Lease liabilities		(12,534,168)	—
Asset retirement obligation		—	(117,780)
Accrued postretirement benefit obligation		(4,616,945)	(4,417,696)
U.S. government grants refundable		(1,446,184)	(2,065,063)
Net cash provided by operating activities		31,276,766	32,611,912
Cash flows used in investing activities:			
Repayment of student loans, net of issuance		1,749,704	2,147,452
Purchase of plant assets		(32,426,613)	(24,555,743)
Decrease in capital accounts payable		—	(19,486)
Purchase of investments		(47,065,953)	(20,146,675)
Proceeds from sale of investments		55,434,581	33,000,180
Net cash used in investing activities		(22,308,281)	(9,574,272)
Cash flows (used in) provided by financing activities:			
Contributions received for capital projects and permanent investments		11,726,479	5,177,501
Net decrease (increase) in contribution receivable for permanent investments and capital projects		13,165,018	(2,261,831)
Repayment of notes payable		—	(5,000,000)
Repayment of indebtedness		(4,415,000)	(4,235,000)
Decrease in funds held by bond trustees		(90,628)	148,378
Net cash provided by (used in) financing activities		20,385,869	(6,170,952)
Net increase in cash and cash equivalents		29,354,354	16,866,688
Cash and cash equivalents at beginning of year		22,842,030	5,975,342
Cash and cash equivalents at end of year	$	52,196,384	22,842,030
Supplemental disclosure:			
Interest paid	$	7,076,082	—
Right-of-use asset obtained in exchange for operating lease liabilities upon adoption of ASU 842		358,647,336	—
Deferred rent liability and lease incentives included in operating lease right-of-use assets		(55,064,307)	—
Increase in capital accounts payable		3,530,682	—

See accompanying notes to financial statements.

(1) Nature of Operations

Pace University (the University) is an independent, coeducational, nonsectarian, not-for-profit institution of higher education with campuses in New York City and Westchester County. The University was founded in 1906 and was granted college status in 1948 by the New York State Board of Regents. The University is exempt from federal income taxes under the provisions of Section 501(c) (3) of the Internal Revenue Code (IRC).

The University considers teaching and learning its highest priorities. The University's commitment to the individual needs of students is at the heart of its mission. Offering access and opportunity to qualified men and women, the University embraces persons of diverse talents, interests, experiences, and origins who have the will to learn and the desire to participate in university life. The University offers a wide range of academic and professional programs at the graduate and undergraduate levels in six colleges and schools and is accredited by major accrediting entities. In addition, the University offers JD and LLM degrees through the Pace University Elisabeth Haub School of Law.

Pace University Fund, LP (Pace Fund) is a limited partnership, which commenced operations on December 4, 2013, in which the University is the sole limited partner, and Cambridge Associates Resources, LLC is the general partner. The Pace Fund acts as an investment vehicle for a significant portion of the University's endowment and is recorded at its net asset value at June 30, 2021 and 2020. As the sole limited partner of the Pace Fund, the University continues to have access to investments on a daily basis, subject to the liquidity of the portfolio. In addition, the University has the right to redeem the entire investment portfolio included in the Pace Fund on a quarterly basis.

Current Environment

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. The outbreak of the disease has affected travel, commerce, and financial markets globally, including in the United States. While the US Food and Drug Administration (FDA) has approved certain vacancies to be administered for emergency and standard use, the spread of COVID-19 and its variant continues to impact social interaction, travel, economies, and financial markets which may continue to adversely affect operations and financial condition, including, among other things, (i) the ability of the University to conduct its operations and/or the cost of operations, (ii) governmental and non-governmental funding, and (iii) financial markets impacting investments valuation and interest rates.

Commencing March 18, 2020, the University conducted its undergraduate and graduate course instruction virtually as most students vacated the campus. The University granted refunds to students of approximately $5.9 million in fiscal year 2020 for housing and dining services not provided after the students vacated the campus. There were no such refunds in fiscal year 2021. For the 2020-21 academic year, the University has offered a hybrid model-learning environment with classes offered in person and via virtual systems. The University, adhering to the health and safety guidelines of New York State and the requirements of the Centers for Disease Control and Prevention (CDC), reinstated its in-person on campus operations. Currently, faculty and staff are working both remotely and in person to ensure continuity of essential operations. Given the uncertainty over the progression of the virus and governmental emergency directives, there is no timetable for when instruction and campus operations will return to normal.

In conjunction with the public health and economic impacts of COVID-19, U.S. Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020. The CARES Act Higher Education Emergency Fund (HEERF I) included provisions to provide financial support to colleges and universities with 90% of these funds going directly to the institutions. Colleges and universities were mandated to use at least 50% of their allotment for direct emergency aid to students. The University's total CARES Act allocation received was $8,562,106, in two separate tranches, $4,281,053 received on April 28, 2020 and $4,281,053 received on May 11, 2020. The first tranche was disbursed to eligible students in fiscal year 2020. $3,358,179 of the second tranche was disbursed as financial aid to students during fiscal year 2021 and the University applied the remaining balance of $922,874 to institutional support. On December 27, 2020, the U.S. Congress passed the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). The CARES Act Higher Education Relief Fund (HEERF II) included provisions to provide direct emergency aid to students and for institutional aid. The University's total HEERF II allocation was $12,938,858 with $4,281,053 allotted for student aid and $8,657,805 allotted for institutional support. As of June 30, 2021 the direct student aid allotment was fully disbursed to students and the institutional support was fully applied to institutional aid. On March 11, 2021 the U.S. Congress passed the American Rescue Plan Act (ARP). The ARP Act Higher Education Emergency Fund (HEERF III) included provisions to provide financial support to colleges and universities. The University's total HEERF III allocation was $23,076,452 with $11,566,796 allotted for student aid and $11,509,656 allotted for institutional aid. As of June 30, 2021 $6,774,423 of the student aid allotment was disbursed to with the remaining balance of $4,792,373 deferred to fiscal year 2022. For the institutional aid, as of June 30, 2021, $11,499,656 was applied to institutional support and $10,000 was deferred to fiscal year 2022.

The COVID-19 pandemic has negatively affected national, state, and local economies and global financial markets, and the higher education landscape in general. While the financial impact on the University cannot be quantified at this time, the pandemic may have a material adverse effect on the current and future financial profile and operating performance of the University. The University continues to monitor the course of the pandemic and is prepared to take additional measures to protect the health of the University community and promote the continuity of its academic mission.

(2) Summary of Significant Accounting Policies

The significant accounting policies followed by the University are described below:

(a) Basis of Presentation

The University's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. Net assets are presented either as net assets without donor restrictions or as net assets with donor restrictions.

Net assets without donor restrictions are available to support the University's operations. The only limits on the use of these net assets are the broad limits resulting in the nature of the University, the environment in which it operates, the purposes specified in the University's corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are restricted by a donor for use for a particular purpose or in a future year. Some donor-imposed restrictions are temporary in nature and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. When a donor's restriction is satisfied, the expiration of the restriction is reported in the financial statements by reclassifying the net asset from net assets with donor restrictions to net assets without donor restrictions. Donor-restricted contributions (including government grants and contracts) that are received within the same reporting period of when the restrictions are satisfied are recognized as net assets without donor restrictions. Other donor-imposed restrictions are perpetual in nature; the University must continue to use these resources in accordance with the donor's instructions. All revenues and net gains are reported in net assets without donor restrictions in the Statement of Activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses are reported as decreases in net assets without donor restrictions.

Management has evaluated the University's ability to continue as a going concern and has determined that there are no conditions or events that raise substantial doubt about the University's ability to continue as a going concern for a period of one year after the date that these financial statements were issued.

(b) Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the University's management evaluates the estimates and assumptions based on historical experiences and various other factors and circumstances. University management believes that the estimates and assumptions are reasonable; however, the actual results could differ from those estimates.

Estimates made in the preparation of these financial statements include the fair value of investments, accrued postretirement benefit obligation, allowance for student accounts and loans receivable, allowance for uncollectible contributions receivable, useful lives of plant assets, and asset retirement obligation.

(c) Recently Adopted Accounting Pronouncements

The University adopted ASU 2016-02, *Leases* on a modified retrospective basis effective July 1, 2020. ASU 2016-02 requires recognition of rights and obligations arising from lease contracts assets and liabilities on the Balance Sheet and also requires expanded qualitative and quantitative disclosures. The University's right-of-use (ROU) assets and lease liabilities for operating leases at adoption were $358,647,336 and $413,711,644, respectively.

(d) Cash and Cash Equivalents

The University considers all highly liquid instruments with original maturities of three months or less at the time of purchase to be cash equivalents, except for those that are purchased by the University's investment managers as part of their long-term investment strategies or for the purpose of investments-designated for construction, and funds held by bond trustees.

The University maintains cash balances at various financial institutions located in the New York Metropolitan area and deposit accounts at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per account. The balances occasionally exceed those limits. Cash equivalents, other securities, and limited amounts of cash held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to $500,000 of protection for each brokerage account, with a limit of $250,000 for claims of uninvested cash balances. The SIPC insurance does not protect against market losses on investments.

(e) Student Tuition and Fees

Revenue from student education, residence, and dining services is determined based on published rates and is billed and reflected net of reductions from institutional student aid, which may be funded by endowment funds or other institutional resources. Such revenue is recognized as the services are provided over the academic year, which generally aligns with the University’s fiscal year. Payments for student services received prior to the commencement of each academic term are reported as student deposits to the extent services will be rendered in the following fiscal year.

(f) Student Accounts Receivable

Student accounts receivable are unsecured noninterest-bearing amounts from students for their tuition, housing, and fees due to the University. Management has established an allowance for doubtful accounts for outstanding balances deemed to be uncollectible. The allowance for uncollectible student accounts receivable is based on management’s evaluation of individual student accounts, established payment terms, and historical trends.

(g) Government Grants and Contracts

Government grants and contracts are generally considered conditional contributions, as the agreements generally include a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. The presence of both a barrier and a right of return or right of release indicates that what a recipient promises to give are not recognized until they become unconditional, that is, when the barrier(s) in the agreement are overcome. Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget’s audit requirements for federal awards and review by grantor agencies. The review could result in a disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the University’s management believes that costs that may ultimately be disallowed, if any, would not materially affect the financial position of the University.

(Continued)

(h) Contributions

Contributions, including unconditional promises to give (pledges), are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied time restriction to be used in the year the payment is received and therefore are reported as restricted. Conditional promises are not recognized until they become unconditional. A contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of promisor’s obligation to transfer assets. When such barriers are overcome and therefore a contribution has been deemed unconditional, the University considers whether the contribution is restricted on the basis of the specific donor-imposed restriction.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions of long-lived assets and their purchase or construction are reported in net assets with donor restrictions and are released to net assets without donor restrictions when the assets are placed in service. Contributions with restrictions whose donor-imposed restrictions were met during the fiscal year, including contributions for assets placed in service, are recorded in net assets without donor restrictions. Contributions that are expected to be collected in less than a year are reported at net realizable value. Contributions that are expected to be collected in more than one year are reported at fair value at the date of promise. The fair value is computed using present value techniques applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue in accordance with the donor-imposed restrictions, if any. The allowance for uncollectible contributions is determined based on management’s evaluation of the collectability of individual promises and historical trends. The allowance is adjusted for promises to give that remain uncollectible more than a year after their due date.

(i) Prepaid Expenses and Other Assets

Prepaid expenses and other assets are primarily payments made by the University in advance of services to be provided. They consist of insurance premiums, as well as various subscription payments made by the University. These assets are amortized over the period associated within the underlying agreement.

(j) Investments – Endowment and Other

Endowment investments are reported at fair value with changes in fair value reported as investment return in the Statement of Activities. Purchases and sales of endowment investments are reported on the trade date. Endowment investments are from the following resources:

- Donor-restricted perpetual endowments are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support the University’s activities (no purpose restrictions).
- Purpose-restricted endowments are contributions restricted by donors to investment in perpetuity with investment income for a purpose specified by the donor. The donor may either require the investment income and appreciation to be reinvested in the fund or may permit the University to spend those amounts in accordance with the donor’s restricted purpose.

Board-designated endowments are resources set aside by the Board of Trustees (the Board) for an indeterminate period to operate in a manner similar to a donor's restricted perpetual endowment. Because a board-designated endowment results from an internal designation, it can be spent upon action of the Board.

Split-interest agreements are included in investments – endowment and other in the Balance Sheet but are considered nonpooled (nonendowment) investments.

The investment and spending policies for the University's endowment are discussed in note 5.

The University maintains a significant portion of its endowment investments in the Pace Fund. The University sets investment policy, asset allocation, and ranges, and monitors performance for the investments in the Pace Fund. The University has delegated the authority for investment decisions of the Pace Fund to Cambridge Associates Resources, LLC, which includes asset allocation within approved ranges.

(k) Investments – Designated for Construction

Investments designated for construction are recorded at fair value and are board-designated funds primarily for the construction of a master plan for the campus located in New York City (the NY Master-Plan). The NY Master-Plan is designed to create new distinct locations for the Lubin School of Business (Lubin) and the Dyson College of Arts and Sciences (Dyson), create a new student center and a new exterior identity for the building at 1 Pace Plaza, and create new forms of learning and research spaces.

(l) Student Loans Receivable

Funds provided by the U.S. government under the Federal Perkins and Nursing Student Loan programs are loaned to qualified students. Such amounts may be reloaned after collection. These funds are ultimately refundable to the government and, therefore, are also presented in the Balance Sheet as a liability. Effective June 30, 2018, the Federal Perkins program was terminated by the U.S. government. As of June 30, 2021 the University has refunded $4,711,523 of the Federal Perkins Program to the U.S. Government due to the termination of the Program.

(m) Operating Lease Accounting

The University determines if an arrangement is a lease or a service contract at inception. Where an arrangement is a lease, the University determines if it is an operating lease or a finance lease. For operating leases, at lease commencement, the University records a ROU asset and corresponding lease liability. ROU assets represent the University's right to control the use of the leased asset during the lease and are recognized in an amount equal to the lease liability. Lease liabilities represent the present value of the future lease payments over the expected lease term which includes options to extend or terminate the lease when it is reasonably certain those options will be exercised. The present value of the lease liability is determined using the University's incremental borrowing rate at lease inception. Over the lease term, the University uses the effective interest rate method to account for the lease liability as lease payments are made and the ROU asset is amortized into expenses in a manner that results in a straight-line expense recognition in the Statement of Activities. A ROU asset and lease liability is not recognized for leases with an initial term of 12 months or less. As of June 30, 2021, the University has determined that all of its leases identified under these criteria are operating leases.

(Continued)

Rent incentives in the initial years of certain leases give rise to deferred rent are recorded net of ROU on the Balance Sheet reflect the cumulative excess of rental expense on a straight-line basis over cash payments.

(n) Plant Assets

Plant assets are reported at cost if purchased and at fair value at the date of donation if donated except for library books and art collections, which are recorded at a nominal amount of $1 per volume. All land and buildings are capitalized and equipment is capitalized if it has a cost of $2,000 or more and a useful life when acquired of more than one year. Repairs and maintenance costs that do not significantly increase the useful life of the asset are expensed as incurred.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Building and improvements	5 to 70 Years
Leasehold improvements	Shorter of lease term or asset life
Furnishings and equipment	3 to 20 Years

(o) Split-Interest Agreements

The University conducts a deferred-giving program in which donors make an irrevocable transfer of assets primarily through charitable remainder trusts (trust assets) and gift annuity contracts. In exchange, the donors (or a beneficiary named by the donors) receive periodic payments for their lifetime. Assets associated with such split-interest agreements are reported at fair value (of the underlying trust) and are included in investments – endowment and other in the Balance Sheet. The value of the trust assets is adjusted annually for changes in its estimated fair value.

The periodic payments to the individuals are fixed amounts (annuities) or are a percentage of the fair value of the trust assets. Contribution revenues are recognized when trusts (or annuity agreements) are established, after recording liabilities for the present value of the estimated future payments to be made to the beneficiaries. The liabilities are adjusted annually for changes in the value of assets, accretion of discount, and other changes in the estimated future benefits. These adjustments are reported in other sources under nonoperating activities in the Statement of Activities. Investment returns from the trust assets are reported as increases in net assets with donor restrictions.

(p) Asset Retirement Obligations

Asset retirement obligations (ARO) arise primarily from regulations that specify how to dispose of asbestos if long-lived assets are demolished or undergo major renovations or repairs. ARO is measured and recorded at fair value. Upon initial recognition of an ARO liability, the University capitalizes that cost as part of the cost basis of the related long-lived assets and depreciates the asset over its useful life. Changes in the ARO due to revised estimates of the amount or timing of cash flows required to settle the future liability are recognized by increasing or decreasing the ARO liability and the related long-lived asset. Changes due solely to the passage of time (accretion of the discounted liability) are recognized as increases in the carrying amount of the liability and as an expense in the Statement of Activities.

(q) Operations, Expense Recognition, and Allocation

The Statement of Activities distinguishes between operating and nonoperating activities. Nonoperating activities principally include investment return in excess of (or less than) amounts authorized for spending by the University's Board, investment return on funds held by bond trustees, and changes in postretirement health benefits obligation, including components of net periodic benefit costs other than the service cost component.

The cost of providing the University's programs and other activities is summarized on the functional basis in the Statement of Activities, and these functional classifications have been reconciled by their natural expense classifications in note 19. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefitted using a reasonable allocation method that is consistently applied as follows:

- Salary and wages, benefits, and payroll taxes are allocated based on the primary job description and work assignment of personnel.
- Operations of plant and maintenance, depreciation, amortization, and interest are allocated on a square-foot basis dependent on the programs and supporting activities occupying the space.

The bases of allocation is reviewed annually or when new space or programs are added.

Fundraising costs are expensed as incurred, even though they may result in contributions received in the future years. The University generally does not conduct its fundraising activities in conjunction with its other activities. Advertising costs are also expensed as incurred.

(r) Fair Value

The University reports fair value measures of its financial assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by U.S. GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset's or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The University applies the provisions of FASB Accounting Standards Codification (ASC) Topic 820, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to investments in alternative investments that do not have readily determinable fair values. This guidance allows, as a practical expedient, for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value, using net asset value per share or its equivalent.

The three levels of input used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the University has access at the measurement date.

- *Level 2.* Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

  Quoted prices for similar assets or liabilities in active markets;

  Quoted prices for identical or similar assets in markets that are not active;

  Observable inputs other than quoted prices for the asset or liability (e.g., interest rates and yield curves); and

  Inputs derived principally from, or corroborated by, observable market data by correlation or other means.

- *Level 3.* Unobservable inputs for the asset and liability used to measure the fair value if observable inputs are not available.

When available, the University measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, Level 1 inputs may not be available for all of the assets and liabilities that the University is required to measure at fair value (e.g., unconditional promises to give and in-kind contributions).

The primary use of fair value measures in the University's financial statements is noncash gifts, including gifts of investments and unconditional promises, endowment investments and other, and investments designated for construction.

(s) Tax Status

The University is principally exempt from federal income taxation under Section 501(c) (3) of the IRC, though is subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). There were no tax provisions in 2021 and 2020.

(3) Liquidity and Availability

The University's financial assets available within one year of June 30 for general expenditures, including operating expenses, principal and interest on debt, and capital expenditure not financed with debt, are as follows:

	2021	2020
Total assets	$ 1,138,059,181	707,400,303
Less:		
Cash and cash equivalents not available within one year	(2,190,292)	(2,256,610)
Student accounts receivable not available within one year	(6,776,610)	(2,831,279)
Grants and other receivables not available within one year	(541,305)	(558,627)
Prepaid expenses and other assets	(4,323,578)	(4,698,294)
Contributions receivables not available within one year	(7,983,206)	(17,596,834)
Investments – endowment and other	(255,310,357)	(197,662,429)
Investments – designated for construction	—	—
Student loans receivable	(5,757,263)	(7,336,141)
Funds held by bond trustees	(1,533,155)	(1,438,821)
Right of use assets	(339,359,374)	—
Plant assets	(443,639,652)	(426,646,279)
	70,644,389	46,374,989
Available lines of credit	40,000,000	40,000,000
Investment return appropriated for spending in the following year	7,400,000	6,200,000
Total assets and other resources available within one year	$ 118,044,389	92,574,989

In addition to the financial assets available within one year, current year operating revenues including tuition, sales and services of auxiliary enterprises, and other income will fund annual expenditures. The above table excludes donor-restricted and board-designated endowment funds because it is the University management's intention to invest those resources for the long-term support of the University. However, in the case of cash needs or changes to the University's strategic plan of operation, the Board may reappropriate resources from the Board-designated endowment funds of $13,895,168 and $10,564,236, as of June 30, 2021 and 2020, respectively.

As part of the University's liquidity management, excess cash resulting from the use and needs of cash within the academic year is invested in short term investments consisting primarily in money market funds and U.S. Government and Government Agency issues .The University maintains an unsecured one-year line of credit with a seasonal commitment of up to $40 million, of which the entire amount is available as of June 30, 2021 and June 30, 2020, respectively.

(4) Contributions Receivable

		2021	2020
Amounts expected to be collected in:			
Less than one year	$	3,989,668	15,031,007
One to five years		3,957,819	2,959,660
More than five years		5,000,000	5,000,000
		12,947,487	22,990,667
Less unamortized discount at rates from 0.15% to 3.04%		(1,447,584)	(1,564,078)
Less allowance for uncollectible amounts		(294,091)	(480,083)
	$	11,205,812	20,946,506

Included in contributions receivable at June 30, 2021 and 2020 are outstanding pledges from nine and five donors, respectively, which collectively represent approximately 76% and 84% of total related outstanding gross contributions receivable balance for each of the years.

(5) Investments and Investment Return

The following table summarizes the composition of investments at June 30:

		2021	2020
Pace Fund:			
Cash and cash equivalents	$	10,025,653	17,190,847
Common stocks		38,339,683	24,730,196
Mutual funds:			
Domestic equities		100,711,642	40,619,556
Exchange-traded funds:			
Domestic equities		10,282,284	9,348,286
Fixed income and Master Limited Partnerships (MLPs)		—	937,227
Total exchange-traded funds		10,282,284	10,285,513
Commingled funds:			
Global equities (a)		42,359,188	26,142,222

		2021	2020
Alternative investments:			
Long/short equity and credit (b)	$	142,482	8,529,253
Private equity (c)		32,965,074	22,053,456
Distressed (c)		165,242	283,833
Real assets (c)		834,573	921,552
Total alternative investments		34,107,371	31,788,094
Pace Fund total		235,825,821	150,756,428
Other investments:			
Cash and cash equivalents		2,679,005	10,572,471
Common stocks		594,539	736,207
Mutual funds:			
Domestic equities		2,146,076	2,758,620
International equities		313,308	546,305
Fixed income		124,899	11,298,855
Total mutual funds		2,584,283	14,603,780
Bonds:			
U.S. Treasuries		3,988,588	5,563,107
Domestic corporate bonds		5,701,026	12,504,503
International corporate bonds		768,142	1,900,799
Commercial mortgage-backed securities		2,329,511	541,275
Municipal bonds		839,742	790,768
Total bonds		13,627,009	21,300,452
Total other investments		19,484,836	47,212,910
Total investments	$	255,310,657	197,969,338

(a) Includes investments in index funds, limited partnerships, limited liability corporations, and trust funds invested in public U.S. equities, international equities, and long/short positions in credit instruments, including bonds, loans, derivatives, and other debt securities.

(b) Includes investments in limited partnerships and limited liability corporations invested in foreign-developed market equities and long/short positions in credit instruments, including bonds, loans, derivatives, and other debt securities.

(c) Includes investment through limited partnerships in underlying private equity partnerships invested in debt securities, buyouts, real estate, venture capital, secondary markets, and natural resources. The underlying investments are diversified by strategy, fund, and vintage year.

The University invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Balance Sheets.

The University has an investment policy specific to its endowment fund, which is monitored by the Investment Committee of the Board. The investment policy describes the objective for the fund and sets ranges for asset allocation. The object of the endowment fund is to earn the highest possible total return consistent with a level of risk suitable for these assets. At a minimum, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment fund assets, to provide necessary capital to fund the spending policy, and to cover the costs of managing the endowment fund investments. The desired minimum rate of return is equal to the Consumer Price Index plus 500 basis points on an annualized basis. Actual returns in any given year may vary from this amount. In light of this return requirement, the portfolio is constructed using a total return approach with a significant portion of the funds invested to seek growth of principal over time. The assets are invested for the long term, and a higher short term volatility in these assets is expected and accepted. The University limits its investments in commingled funds and so-called alternative investments. Commingled funds and alternative investments of the Pace Fund represent limited partnerships, limited liability corporations, trusts, and similar interests that follow a variety of investment strategies. Terms and conditions of investments, including liquidity provisions, are different for each fund. Commingled funds have monthly and semi-monthly liquidity. Alternative investments are either nonredeemable or can have limited liquidity. Individual investment holdings within commingled funds and alternative investments may be invested in both publicly traded securities and less liquid securities. The net asset values of commingled funds and alternative investments are reviewed and evaluated by management. Because commingled funds and alternative investments do not have readily determinable fair values, the estimated value is subject to uncertainty and, therefore, may differ significantly from the values that would have been used had a ready market for those securities existed.

Under the terms of certain limited partnership agreements, the University is obligated to periodically advance additional funding for its limited partnership investments. At June 30, 2021, the Pace Fund had commitments of $20,404,823 for which capital calls had not been exercised. This amount has not been recorded as a liability in the Balance Sheet as of June 30, 2021. The University maintains sufficient liquidity in its portfolio to cover such calls.

The current endowment spending appropriation is 4.5% of the moving average fair value of the endowment fund investments for the prior 12 quarters. In establishing this policy, the University considers the long term expected return on its endowment fund investments and sets the rate with the objective of maintaining the purchasing power of its donor-restricted perpetual endowment funds over time.

In accordance with the above spending rate, $6,392,560 and $6,220,439 of investment return was made available for the years ended June 30, 2021 and 2020, respectively, to support operations of the University.

There was an investment gain from nonpooled investments, cash and cash equivalents, and investments designated for construction of $305,481 and $1,354,665 in fiscal years 2021 and 2020, respectively.

The Pace Fund contains various redemption restrictions with required notice periods. The following tables summarize the composition of such investments by redemption provision and notice period at June 30:

2021

	Redemption provision	**Notice period**	**Amount**
Commingled funds	Daily	2 Days	$ 15,011,734
		15 Days	18,307,096
	Quarterly	60 Days	9,040,358
Alternative investments:			
Long/short equity and credit	Lockup		142,482
Private equity partnerships (including distressed and real assets)	Illiquid		33,964,889
			$ 76,466,559

The lockup on certain funds totaling $142,482 does not expire until underlying investments are liquidated.

2020

	Redemption provision	**Notice period**	**Amount**
Commingled funds	Daily	15 Days	$ 15,470,745
		30 Days	1,260,093
	Quarterly	60 Days	9,411,384
Alternative investments:			
Emerging markets	Monthly	33 Days	1,301,835
Event driven	Quarterly	65 Days	3,530,395
		90 Days	3,599,697
Long/short equity and credit	Lockup		97,426
Private equity partnerships (including distressed and real assets)	Illiquid		23,258,841
			$ 57,930,416

The lockup on certain funds totaling $97,426 does not expire until underlying investments are liquidated.

(6) Endowment Funds

The University's endowment consists of 435 individual funds established either by donors (referred to as donor-restricted funds) or by resources set aside by the Board to function as endowments (referred to as board-designated endowment funds). Donor-restricted endowment funds are both those that provide a perpetual source of support for the University's activities and those that are restricted by donors for investments to be made for specific purposes as required by U.S. GAAP. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Relevant Law

The University's management and investment of donor-restricted endowment funds is subject to the provisions of the New York Prudent Management of Institutional Funds Act (NYPMIFA). Pursuant to the investment policy approved by the Board of Trustees of the University, the University appropriates for expenditure or accumulates as much of a donor-restricted endowment fund, as the University deems prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument, absent explicit donor stipulations to the contrary. In making its determination to appropriate or accumulate, the University must act in good faith, with the care that an ordinary prudent person in a like position would exercise under similar circumstances considering all relevant factors at the time.

The following tables represent the University's endowment and nonpooled investment composition by type of fund as of June 30 (excluding contributions receivable):

	2021		
	Without donor restriction	**With donor restriction**	**Total**
Donor-restricted endowment	$ —	236,719,979	236,719,979
Board-designated endowment	13,895,168	—	13,895,168
Total pooled endowment	13,895,168	236,719,979	250,615,147
Non-pooled investments	1,905,488	2,790,022	4,695,510
Total investments	$ 15,800,656	239,510,001	255,310,657

		2020		
		Without donor restriction	**With donor restriction**	**Total**
Donor-restricted endowment	$	—	183,262,816	183,262,816
Board-designated endowment		10,564,236	—	10,564,236
Total pooled endowment		10,564,236	183,262,816	193,827,052
Non-pooled investments		1,968,570	2,173,816	4,142,386
Total investments	$	12,532,806	185,436,632	197,969,438

Non-pooled (nonendowment) investments are investments that are not subject to the provisions of the NYPMIFA and are classified as either net assets with donor restrictions or net assets without donor restrictions based on whether the assets have any donor-imposed restrictions at time of receipt by the University. Non-pooled investments include $2,157,336 of assets held under split-interest agreements, $1,900,289 of a corporate bond, $594,539 of corporate stocks, and $43,346 of cash equivalents at June 30, 2021. Non-pooled investments include $1,726,570 of assets held under split-interest agreements, $1,656,662 of a corporate bond, $736,206 of corporate stocks, and $22,948 of cash equivalents at June 30, 2020. The changes in split-interest agreements during the year ended June 30, 2021 and 2020 include investment returns of $427,262 and ($13,929), respectively, and payment to beneficiaries of $35,309 and $35,309, respectively.

Included in donor-restricted endowments at June 30, 2021 and 2020 are $46,071,145 and $42,019,511, respectively, of net assets expendable only for projects for the Lubin School of Business approved by the donors or the donors' designee.

Changes in endowment assets for the year ended June 30, 2021 were as follows:

		Without donor restriction	**With donor restriction**	**Total**
Endowment at June 30, 2020	$	10,564,236	183,262,816	193,827,052
Investment return:				
Investment income		140,031	1,143,829	1,283,860
Net appreciation in fair value of investments		3,931,851	59,402,074	63,333,925
Total return on investment		4,071,882	60,545,903	64,617,785
Less appreciation on funds designated for construction and nonpooled investments		(305,481)	(221,293)	(526,774)
Total endowment return on investment		3,766,401	60,324,610	64,091,011

		Without donor restriction	With donor restriction	Total
Contributions	$	24,000	14,575,339	14,599,339
Appropriation of endowment assets for expenditure		(427,842)	(5,964,718)	(6,392,560)
Other changes, including transfers		(31,627)	(15,478,068)	(15,509,695)
Endowment at June 30, 2021	$	13,895,168	236,719,979	250,615,147

Changes in endowment assets for the year ended June 30, 2020 were as follows:

		Without donor restriction	With donor restriction	Total
Endowment at June 30, 2019	$	10,521,182	182,527,460	193,048,642
Investment return:				
Investment income		1,121,931	1,201,434	2,323,365
Net appreciation in fair value of investments		700,525	6,489,536	7,190,061
Total return on investment		1,822,456	7,690,970	9,513,426
Less appreciation on funds designated for construction and nonpooled investments		(1,354,665)	(50,768)	(1,405,433)
Total endowment return on investment		467,791	7,640,202	8,107,993
Contributions		25,910	3,789,898	3,815,808
Appropriation of endowment assets for expenditure		(450,647)	(5,769,792)	(6,220,439)
Other changes, including transfers		—	(4,924,952)	(4,924,952)
Endowment at June 30, 2020	$	10,564,236	183,262,816	193,827,052

Funds with Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the NYPMIFA requirement to retain as a fund for perpetual duration. Deficiencies of this nature would be reported in net assets with donor restrictions. At June 30, 2021, there were no funds with deficiencies. At June 30, 2020, three funds had deficiencies. The combined market value of these funds was $1,747,374 and original gift value of $1,800,000, leaving a deficiency of $52,616.

(7) Investments – Designated for Construction

The Board designated these investments primarily for the construction of the NY Master-Plan. Funds held by bond trustees were released in 2018 as requisitioned by the University for payments for capital projects. As of June 30, 2021 and 2020, investments designated for construction totaled $6,509,427 and $9,232,720, respectively. These investments include $6,509,427 and $1,657,104 of cash and cash equivalents as of June 30, 2021 and 2020, respectively, with the remaining balance invested in fixed-income securities (consisting of certificates of deposits and corporate bonds) with maturities of less than five years.

(8) Fair Value of Financial Instruments

The following table summarizes the fair value hierarchy of the University's investments as of June 30:

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Cash and cash equivalents	$ 2,679,005	—	—	2,679,005
Common stocks	589,640	4,899	—	594,539
Mutual funds:				
Domestic equities	2,146,076	—	—	2,146,076
International equities	313,308	—	—	313,308
Fixed income	124,899	—	—	124,899
Bonds	6,728,619	6,898,390	—	13,627,009
	$ 12,581,547	6,903,289	—	19,484,836
Investments measured at net asset value:				
Pace Fund				235,825,821
Total investments				$ 255,310,657
Funds held by bond trustees (note 11)	$ 1,533,155	—	—	1,533,155
Investments designated for construction (note 7)	$ 6,509,427	—	—	6,509,427

		2020			
		Level 1	**Level 2**	**Level 3**	**Total**
Investments:					
Cash and cash equivalents	$	10,572,471	—	—	10,572,471
Common stocks		731,308	4,899	—	736,207
Mutual funds:					
Domestic equities		2,758,620	—	—	2,758,620
International equities		546,305	—	—	546,305
Fixed income		11,298,855	—	—	11,298,855
Bonds		8,010,537	13,289,915	—	21,300,452
	$	33,918,096	13,294,814	—	47,212,910
Investments measured at net asset value:					
Pace Fund					150,756,528
Total investments					$ 197,969,438
Funds held by bond trustees (note 11)	$	1,438,821	—	—	1,438,821
Investments designated for construction (note 7)	$	9,232,720	—	—	9,232,720

The COVID-19 pandemic has negatively affected the higher education landscape in general as well. While the financial impact on the University cannot be quantified at this time, the pandemic may have a material adverse effect on the current and future financial profile and operating performance of the University. The University continues to monitor the course of the pandemic and is prepared to take additional measures to protect the health of the University community and promote the continuity of its academic mission.

There were no transfers between fair value hierarchy levels in 2021 and 2020.

(9) Plant Assets

Plant assets at June 30, 2021 and 2020 consist of the following:

		2021	2020
Land	$	12,453,325	12,453,325
Land improvements		1,508,920	1,508,920
Buildings, leaseholds, and improvements		510,983,357	498,205,897
Construction in progress		36,840,117	19,782,374
Furniture and equipment		110,077,809	105,860,305
Library books		769,614	769,614
Total		672,633,142	638,580,435
Less accumulated depreciation		(228,993,490)	(211,934,156)
	$	443,639,652	426,646,279

Construction in progress primarily consists of amounts expended for the construction of the NY Master-Plan, which was primarily funded by restricted contributions and proceeds received from the sale of 106 Fulton Street in 2017, and therefore, no interest was capitalized for the years ended June 30, 2021 and 2020.

Included in buildings, leaseholds, and improvements as of June 30, 2021 and 2020 is $16,226,522 relating to the Judicial Institute building (the Center) with accumulated depreciation of $3,245,144 and $3,064,847, respectively. The Center was constructed on the University's property and financed by $16,105,000 Lease Revenue Bonds (the Bonds). The Center was leased to the Unified Court System (the System) as their continuing education training site and the Bonds were assigned to the System solely payable from rental payments by the System to the University. As a result of the assignment, the Bond payment were without recourse to the University and therefore the Bond proceeds and related obligation were not included in the financial statements. The cost of the Center was, previously, recorded as deferred rental revenue and was recognized on a straight-line basis over the life of the lease which ended on June 30, 2020. For the year ended June 30, 2020, $944,196 was recognized (included in other sources in the Statement of Activities) as the final amount of the rental revenue previously deferred.

(10) Line of Credit

The University has established an unsecured one-year line of credit with a seasonal commitment of up to $40,000,000. The line bears interest at LIBOR plus 200 basis points and is subject to annual renewal at the lender's discretion. However, the University has an option to convert the line into a four-year term loan facility. The University is required to maintain a zero balance on the line for at least 30 consecutive days, twice per year. There was no amounts outstanding under the line of credit as of June 30, 2021 and June 30, 2020.

There was no interest on borrowing from the line of credit in fiscal year 2021. Interest on this borrowing amounted to $17,044 for fiscal year 2020.

(11) Long-Term Debt

Long-term debt at June 30 consists of the following:

		2021	2020
Dormitory Authority of the State of New York (DASNY or the Authority):			
Revenue Bonds, Pace University issue, $95,840,000, Series 2013A, due serially to 2042 at an effective fixed rate of 4% per annum, plus unamortized premium of $6,382,747 and $6,689,118 and less unamortized prepaid bond issue costs of $1,171,498 and $1,227,730 at June 30, 2021 and 2020, respectively	$	73,741,249	77,671,388
Revenue Bonds, Pace University issue, $19,670,000, Series 2013B, due serially to 2035, at a variable rate subject to weekly reset in the auction market, less $179,875 and $192,878 unamortized prepaid bond issue costs at June 30, 2021 and 2020, respectively		14,435,125	15,157,122
Westchester County Local Development Corporation (WCLDC):			
Revenue Bonds, Pace University issue, $85,665,000, Series 2014A, due serially to 2042 at an effective fixed rate of 5% per annum through May 2034 increasing to a rate of 5.5% to maturity, less unamortized discount of $439,597 and $460,782 and unamortized prepaid bond issue costs of $1,389,612 and $1,456,581 at June 30, 2021 and June 30, 2020, respectively		83,835,791	83,747,637
Revenue Bonds, Pace University issue, $14,925,000 Series 2014B, due serially to 2044 at a variable rate subject to weekly reset in the auction market, less $191,155 and $199,557 unamortized prepaid bond issue costs at June 30, 2021 and 2020, respectively		14,733,845	14,725,443
Total long-term debt	$	186,746,010	191,301,590

Debt issuance costs of $2,932,140 and $3,076,746 are reported as a reduction of long-term debt on the Balance Sheets at June 30, 2021 and 2020, respectively.

The Series 2013A Bonds (tax-exempt) were issued on March 7, 2013 to (i) finance the acquisition, renovation, construction, equipping, and/or furnishing of certain of the University's facilities, (ii) refund a portion of the $70,900,000 outstanding principal amount of DASNY's Pace University Insured Revenue Bonds, Series 2005A, (iii) fund the cost of terminating an interest rate swap agreement associated with the Series 2005A Bonds, and (iv) pay the costs of issuance of the Series 2013A Bonds. At June 30, 2021 and 2020, $1,342,485 and $1,184,922, respectively, of unexpended funds from these bonds was included in funds held by bond trustees in the Balance Sheets. Of these amounts, $546,302 and $574,978 were held in cash equivalents with the remaining balance invested in fixed-income securities (consisting of U.S. Treasury notes) with maturities of less than one year.

The Series 2013B Bonds (federally taxable) were issued on March 7, 2013 to (i) refund a portion of $38,350,000 outstanding principal amount of DASNY's Pace University Insured Revenue Bonds, Series 2005B and (ii) pay the costs of issuance of the Series 2013B Bonds. At June 30, 2021 and 2020, $174,764 and $207,284, respectively, was included in funds held by bond trustees in the Balance Sheets. Of these amounts, $110,895 and $86,104 were held in cash equivalents with the remaining balance invested in fixed-income securities (consisting of U.S. Treasury notes) with maturities of less than one year. These bonds are variable rate securities in which the coupon is reset each week by a remarketing agent. The interest rate was capped in the governing agreements at 22.0% per annum based on the University's current credit rating. The weighted average interest rate in 2021 for the Series 2013B Bonds was 1.0%. The range of rates in 2021 was 0.4% to 2.8%.

The Series 2014A Bonds (tax-exempt) were issued on April 3, 2014 (i) to finance the design, renovation, construction, equipping, and/or furnishing of certain of the University's facilities, and (ii) fund the costs of issuance and interest costs during the construction period. At June 30, 2021 and June 30, 2020, there were no funds held by bond trustees in the balance sheets related to the Series 2014A.

The Series 2014B Bonds (tax-exempt) were issued on April 3, 2014 to finance (i) the design, renovation, construction, equipping, and/or furnishing of certain of the University's facilities and (ii) fund the costs of issuance and interest costs during the construction period. The bonds pay variable rate interest, which is based on weekly resets in the auction rate market and the bonds mature in 2044. The weighted average interest rate in 2021 for the Series 2014B Bonds was 0.9%. The range of rates in 2021 was 0.3% to 2.3%. At June 30, 2021 and 2020, $15,906 and $46,615, respectively, was included in funds held by bond trustees in the balance sheets and consisted of construction funds. These amounts were held in cash equivalents.

The Series 2013 and 2014 Revenue Bonds are secured by mortgages on certain of the University's properties, security interest in certain fixtures, furnishings, and equipment, and pledges of revenues limited in each year to the greatest amount payable to the Authority and WCLDC in any bond year for the principal.

Interest and fees incurred for the years ended June 30, 2021 and 2020 were $8,393,152 and $9,064,404, respectively.

Financial Covenants DASNY Series 2013 and WCLDC Series 2014

Pursuant to the loan agreements related to the DASNY Series 2013 Revenue Bonds and the WCLDC Series 2014 Revenue Bonds, the University is required to adhere to certain financial covenants, including a Debt Service Coverage Ratio, determined by dividing the Operating Income Available for Debt Service by Annual Debt Service, as defined. A Debt Service Coverage Ratio less than 1.00 as of any Calculation Date or less than 1.10 for two consecutive years constitutes an Event of Default under the Master Trust Indentures.

The University's ability to incur additional indebtedness, as defined, is limited by a requirement to maintain a minimum credit rating of BBB – or Baa3 or by meeting one of two pro-forma Maximum Annual Debt Service ratios, as defined.

At June 30, 2021 and 2020, the University was in compliance with its financial debt covenant requirements.

(12) Debt Service – Long-Term Debt

Debt service relating to principal and interest payments of long-term debt for the next five years is as follows:

	DASNY Bonds		WCLDC Bonds		
	Principal	**Interest**	**Principal**	**Interest**	**Total**
Year ending June 30:					
2022	$ 5,560,000	3,848,782	—	5,045,250	14,454,032
2023	5,785,000	3,625,954	—	5,045,250	14,456,204
2024	6,070,000	3,345,756	—	5,046,175	14,461,931
2025	6,370,000	3,048,740	—	5,044,325	14,463,065
2026	6,685,000	2,738,551	—	5,045,250	14,468,801

(13) Postretirement Benefits Other than Pensions

The University sponsors a plan to provide certain healthcare and life insurance benefits for qualified retirees. The University's employees may become eligible for these benefits if they retire while working for the University. Benefits and eligibility may be modified from time to time. In accordance with the 2001 plan amendment, all postretirement healthcare and life insurance benefits coverage for employees hired after October 1, 2000 has been eliminated.

(Continued)

The University reports the funded status of its postretirement plans on the Balance Sheets. The following table provides a summary of this unfunded plan as of June 30, 2021 and 2020:

		2021	2020
Change in benefit obligation:			
Benefit obligation at beginning of year	$	62,298,185	67,075,889
Service cost		229,142	272,887
Interest cost		1,524,934	2,097,806
Participants' contributions		687,524	600,000
Amendments (A)		—	(8,616,284)
Actuarial loss (gain) (B)		(6,764,603)	5,025,669
Benefits paid		(2,658,084)	(4,349,326)
Subsidies received		198,441	191,544
Benefit obligation at end of year		55,515,539	62,298,185
Change in plan assets:			
Employer contribution (C)		1,772,119	3,557,782
Plan participants' contributions		687,524	600,000
Benefits paid (C)		(2,658,084)	(4,349,326)
Subsidies received		198,441	191,544
Fair value of plan assets at end of year		—	—
Accrued postretirement health benefits obligation	$	55,515,539	62,298,185

(A) There were no plan amendments in fiscal year 2021 affecting the accrued postretirement obligation. In fiscal year 2020 the Plan was amended on January 1, 2020 to eliminate the three post-65 Cigna medical plans which were integrated with Medicare. They were replaced with a single Medicare Advantage-Part D plan (MA-PD) administered by Aetna. The single plan is being offered in lieu of the elimination of the post-65 drug coverage, as well as the $1,200 annual subsidy, with a 3% cost of living adjustment, which was set to take effect on January 1, 2020. Effective January 1, 2020, Group One retirees (those hired pre-1996) will continue to contribute the same amounts they were contributing under the pre-January 1, 2020 plans; however, their contributions will not exceed the full cost of the MA-PD premium, The effect of this amendment was a decrease to the accrued postretirement obligation of $8,616,284 as of June 30, 2020.

(B) The actuarial gain in 2021 of $6,764,603 was, primarily, the result of a year-end discount rate change from 2.7% to 2.85% resulting in a $1.1M gain and a decrease in claims resulting in a $5.4M savings. The actuarial loss in 2020 of $5,025,669 was primarily the result of a mid-year discount rate change from 3.5% to 3.25% when the plan change was measured and the year-end discount rate change from 3.25% to 2.7%. The loss was partially offset by a change in mortality table and scale.

(C) The decrease in employer contribution was the result of the decrease in benefit claims paid during 2021.

The net periodic postretirement benefit expense (credit) includes the following components:

		2021	2020
Net periodic benefit cost (credit):			
Service cost	$	229,142	272,887
Interest cost		1,524,934	2,097,806
Amortization of prior service credit		(6,253,772)	(5,031,097)
Amortization of net loss		1,654,870	1,800,489
Total net periodic benefit credit	$	(2,844,826)	(859,915)

The discount rates were as follows:

	2021	2020
Benefit obligation weighted average assumptions as of June 30, 2021 and 2020:		
Discount rate	2.85 %	2.70 %
Benefit cost weighted average assumptions for the years ended June 30, 2021 and 2020:		
Discount rate *	2.70 %	3.5%/3.25%

* A 3.5% rate was used for July 1, 2019 through December 31, 2019. A 3.25% rate was used for January 1, 2020 through June 30, 2020 to reflect the applicable rate at January 1, 2020, the date the plan changes were implemented.

Other changes in postretirement benefit obligations recognized in net assets without donor restriction include the following components:

		2021	2020
New prior service (credit) cost	$	—	(8,616,284)
Actuarial net loss		(6,764,603)	5,025,669
Amortization of prior service credit		6,253,772	5,031,097
Recognition of net (loss)/gain		(1,654,870)	(1,800,489)
	$	(2,165,701)	(360,007)

As of June 30, 2021 and 2020, the items not yet recognized as net periodic postretirement benefit cost are as follows:

		2021	2020
Prior service credit	$	(7,172,401)	(13,426,171)
Net loss/(gain)		13,174,138	21,593,610
	$	6,001,737	8,167,439

The estimated prior service credit and net loss that will be amortized into net periodic benefit cost in 2021 are $(4,215,364) and $1,200,407, respectively.

For measurement purposes, a 6.0% and 6.5% annual rate of increase in the medical per capita cost of covered healthcare benefits was assumed for pre-age and post-age 65 coverage for the years ended June 30, 2021 and 2020, respectively, and then decreasing to 4.50% in 2024 and remaining at that level thereafter. The healthcare cost trend rate assumption has a significant effect on the accrual. A 1% increase in the rate translates to an increase in the accumulated postretirement benefit obligation and service and interest cost of $7,787,474 and $287,864, respectively, in 2021. A 1% decrease in the rate translates to a decrease in the accumulated postretirement benefit obligation and service and interest cost of $6,264,018 and $225,254, respectively, in 2021.

Projected plan benefit payments for each of the next five fiscal years and the five years thereafter are as follows:

2022	$	2,968,455
2023		2,964,604
2024		3,004,679
2025		3,024,186
2026		3,054,602
2027 through 2049		14,722,823

(14) Defined-Contribution Retirement Plan

The University has a defined-contribution retirement plan established in accordance with Section 403(b) of the IRC of 1986, which covers substantially all full-time employees. Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF), Fidelity Management Trust Company (Fidelity), and T. Rowe Price Trust Company (T. Rowe Price) are the plan's record keepers and custodians. In 2011, the University selected TIAA-CREF as the University's sole 403(b) vendor effective January 1, 2011. Existing accounts with Fidelity and T. Rowe Price continue to be part of the plan, but new contributions can only be made to TIAA-CREF accounts.

The University has made annual plan contributions, which are vested immediately for the benefit of the participants. The University's contributions under the plan for the years ended June 30, 2021 and 2020 amounted to $11,921,750 and $10,632,100, respectively. In response to the COVID-19 pandemic, the University suspended the employer matching contributions to the defined-contribution retirement plan effective June 1, 2020. Effective April 1, 2021, the University reinstated the employer matching contribution and on July 1, 2021 fully reimbursed the plan participants for amounts previously suspended by contributing $9.1 million to the plan.

(15) Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2021 and 2020 are available to support the following areas:

		2021	2020
Instruction	$	61,598,540	51,868,291
Research		2,157,382	1,714,833
Academic support		52,557,265	40,792,926
Student activities		5,148,036	3,612,157
Institutional support		15,054,681	8,688,788
Capital projects		37,727,250	31,696,285
Scholarships		104,948,178	80,057,882
Contributions receivable		4,865,240	4,241,238
Split-interest agreements		2,006,307	1,610,936
	$	286,062,879	224,283,336

Net assets of $46,071,145 and $42,019,511 as of June 30, 2021 and 2020, respectively, are available to support the Lubin School of Business, expendable only for projects approved by the donors or the donors' designee.

(16) Scholarships and Fellowships

Tuition and fees are presented net of amounts awarded to students to defray their cost of attending the University. The amount awarded totaled $202,241,534 and $206,727,257 for the years ended June 30, 2021 and 2020, respectively.

(17) Leases

As noted in note 2(c), the University adopted ASU 2016-02, Leases *(Topic 842)* effective July 1, 2020 using the optional modified retrospective transition method; accordingly, the comparative information as of June 30, 2020 has not been adjusted and continues to be reported under the previous lease standard. Under the new lease standard, right of use assets and operating lease liabilities that arise from all leases are required to be recognized on the balance sheets for leasees. Previously, only capital leases, which are now referred to as finance leases, were recorded on the balance sheets.

(Continued)

The University is a leasee for numerous operating leases, primarily related to real estate. The vast majority of the University's operating leases have remaining lease terms of 23 years or less, some of which include options to extend the leases, and some of which include options to terminate the leases. The University generally does not include renewal or termination options in the assessment of the leases unless extension or termination for certain assets is deemed to be reasonably certain. The accounting for some of the leases may require judgment, which includes determining whether a contract contains a lease, determining the incremental borrowing rates to utilize in the net present value calculation of lease payments for lease agreements which do not provide an implicit rate, and assessing the likelihood of renewal or termination options. The University also has lease agreements with lease and non-lease components, which are generally accounted for as a single lease component.

For the year ended June 30, 2020 rent expense under the previous lease standard was $42,547,030.

The following table summarizes the maturity of the Universities operating lease liabilities as of June 30, 2021:

	Active leases
Year ending June 30:	
2022	$ 35,089,316
2023	25,822,601
2024	25,560,961
2025	26,158,333
2026	27,134,002
2027 and thereafter	637,078,666
Total	776,843,879
Less interest	375,666,404
	$ 401,177,475

Lease costs and other related information for the year ended June 30, 2021 were as follows:

Lease cost:	
Operating lease cost	$ 41,798,729
Other information:	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 19,287,962

Weighted average remaining lease term (years):	
Operating leases	22.87
Weighted average discount rate:	
Operating leases	5.64 %

In 2021, right of use assets obtained in exchange for new operating lease liabilities were approximately $350,000.

On January 1, 2020, the University entered into a lease agreement for a building to be constructed at 15 Beekman Street, New York, NY (the New Lease). The New Lease includes the construction of two components, an educational unit and a dormitory unit (collectively, the Units). The New Lease did not meet the criteria to be recognized in 2021 and will be recognized in a future period. The total expected lease payments under the terms of the lease agreement upon delivery are as follows:

Years after delivery:		
First	$	13,473,240
Second		13,810,071
Third		14,155,323
Fourth		14,509,206
Fifth		14,871,936
Thereafter		520,691,880
	$	591,511,656

The estimated present value of the lease payments under the New Lease using the University's estimated incremental borrowing rate as of June 30, 2021 is approximately $252 million.

(18) Expenses

Expenses are reported in the Statements of Activities in categories recommended by the National Association of College and University Business Officers. The University's primary program services are instruction and research. Expenses reported as academic support, student services, institutional support, and auxiliary enterprises are incurred in support of these primary program services. Institutional support includes fund-raising expenses of $5,908,045 and $6,155,298 for the years ended June 30, 2021 and 2020, respectively. For purposes of reporting fund-raising expenses, the University includes only those fundraising costs incurred by its development office.

(19) Allocation of Certain Expenses

Expenses are presented by functional classification in accordance with the overall mission of the University on the Statements of Activities. With the adoption of ASU No. 2016-14, each functional classification displays all expenses related to the underlying operation by natural classification as detailed below for the years ended June 30, 2021 and 2020.

	2021						
	Compensation and fringe benefits	Supplies, services, and other*	Professional fees	Utilities and plant contracts**	Depreciation	Interest and other debt-related expenses	Total per statement of activities operating
Instruction	$ 111,366,558	9,327,242	2,917,211	6,528,789	3,124,218	1,299,208	134,563,226
Research	1,409,695	328,066	1,087,223	403,898	197,268	73,426	3,499,576
Academic support	31,127,364	1,869,584	4,668,024	9,519,147	4,827,738	1,674,006	53,685,863
Student services	23,392,250	17,461,147	1,567,673	5,305,658	2,629,740	1,323,918	51,680,386
Institutional support	35,237,566	6,886,482	4,652,734	10,260,920	2,100,829	723,268	59,861,799
Auxiliary enterprises	2,310,102	12,418,181	1,001,466	43,817,125	6,084,129	3,158,746	68,789,749
Total 2021	$ 204,843,535	48,290,702	15,894,331	75,835,537	18,963,922	8,252,572	372,080,599

	2020						
	Compensation and fringe benefits	Supplies, services, and other*	Professional fees	Utilities and plant contracts**	Depreciation	Interest and other debt-related expenses	Total per statement of activities operating
Instruction	$ 114,463,726	9,681,274	2,550,335	6,123,264	3,200,426	1,398,569	137,417,594
Research	1,572,257	657,213	877,557	358,801	202,080	78,499	3,746,407
Academic support	31,103,609	7,640,675	1,106,126	8,385,803	4,945,500	1,781,029	54,962,742
Student services	27,932,700	10,461,166	2,197,838	4,750,446	2,693,887	1,439,669	49,475,706
Institutional support	36,927,172	3,533,209	5,708,426	13,208,902	2,152,074	786,161	62,315,944
Auxiliary enterprises	2,731,336	16,186,982	422,696	41,423,721	6,232,538	3,439,897	70,437,170
Total 2020	$ 214,730,800	48,160,519	12,862,978	74,250,937	19,426,505	8,923,824	378,355,563

* Supplies, services, and other primarily consists of student meal plans, technology service contracts, travel, marketing and publications, graduate student assistantships, and, for 2021 and 2020, awards to students under the CARES Act.

** Utilities and plant contracts primarily consists of leased property expenses, and janitorial and security contracts.

(20) Contingency

The University is involved in various legal proceedings and claims arising in the normal course of business. Management of the University does not expect the ultimate resolution of these actions to have a material adverse effect on the University's financial position.

(21) Subsequent Events

In accordance with ASC Subtopic 855-10, *Subsequent Events*, the University evaluated subsequent events after the balance sheet date of June 30, 2021 through November 16, 2021, which was the date the financial statements were issued, and determined that there were no additional matters required to be disclosed.