PACE UNIVERSITY

Financial Statements

June 30, 2015 and 2014

(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, 2015 and 2014, 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 organization'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 organization'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 our 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, 2015 and 2014, 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.

KPMG LLP

November 10, 2015

PACE UNIVERSITY

Balance Sheets

June 30, 2015 and 2014

Assets		**2015**	**2014 As Adjusted (note 2)**
Cash and cash equivalents	$	12,458,627	11,183,992
Student accounts receivable (net of allowance for doubtful accounts of $2,925,504 and $2,412,058, respectively)		6,023,929	7,742,906
Grants and other receivables		4,528,993	4,218,254
Prepaid expenses and other assets		6,464,988	6,691,329
Contributions receivable, net (note 4)		10,916,167	7,740,731
Investments (notes 5, 6, and 7)		159,081,289	159,796,251
Student loans receivable (net of allowance for doubtful accounts of $4,228,249 and $4,182,148, respectively)		12,125,689	12,882,717
Funds held by bond trustees, at fair value (notes 7 and 10)		33,677,998	101,234,305
Plant assets, net (note 8)		354,627,339	281,647,487
Total assets	$	599,905,019	593,137,972
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities (note 18)	$	56,969,801	46,078,534
Notes payable (note 9)		5,000,000	15,000,000
Deferred revenues and deposits		21,768,059	18,312,485
Long-term debt (notes 10 and 11)		216,789,268	220,599,455
Deferred rental revenue (note 12)		4,720,982	5,665,178
Asset retirement obligations (note 13)		3,028,636	3,448,995
Accrued postretirement health benefits obligation (note 14)		70,365,159	86,837,887
U.S. government grants refundable		13,091,236	12,841,700
Total liabilities		391,733,141	408,784,234
Commitments and contingencies (notes 5, 9, 10, 18, and 21)			
Net assets:			
Unrestricted:			
General, 2014 amount as adjusted (note 2)		108,297,553	103,662,786
Accrued postretirement health benefits obligation (note 14)		(70,365,159)	(86,837,887)
Total unrestricted		37,932,394	16,824,899
Temporarily restricted, 2014 amount as adjusted (notes 2 and 16)		90,824,912	89,028,490
Permanently restricted (note 16)		79,414,572	78,500,349
Total net assets		208,171,878	184,353,738
Total liabilities and net assets	$	599,905,019	593,137,972

See accompanying notes to financial statements.

PACE UNIVERSITY

Statements of Activities

Years ended June 30, 2015 and 2014

	2015				2014			
Revenues:	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted As Adjusted (note 2)	Temporarily restricted As Adjusted (note 2)	Permanently restricted	Total
Tuition and fees, net (note 17)	$ 258,694,994	—	—	258,694,994	250,760,451	—	—	250,760,451
Government grants and contracts	7,497,399	—	—	7,497,399	6,867,895	—	—	6,867,895
State appropriations	809,046	—	—	809,046	853,563	—	—	853,563
Contributions	1,736,554	9,366,155	906,917	12,009,626	1,045,056	6,504,375	1,484,961	9,034,392
Investment return appropriated (note 5)	372,282	4,485,808	—	4,858,090	427,047	4,081,236	—	4,508,283
Sales and services of auxiliary enterprises	59,216,297	—	—	59,216,297	53,474,811	—	—	53,474,811
Other sources	8,510,255	—	94	8,510,349	9,128,501	—	102	9,128,603
Net assets released from restrictions	10,659,315	(10,659,315)	—	—	8,789,943	(8,789,943)	—	—
Total revenues	347,496,142	3,192,648	907,011	351,595,801	331,347,267	1,795,668	1,485,063	334,627,998
Expenses (notes 19 and 20):								
Instruction	126,971,610	—	—	126,971,610	125,548,462	—	—	125,548,462
Research	4,633,442	—	—	4,633,442	4,548,650	—	—	4,548,650
Academic support	50,053,864	—	—	50,053,864	47,681,478	—	—	47,681,478
Student services	44,746,061	—	—	44,746,061	43,133,588	—	—	43,133,588
Institutional support	57,777,394	—	—	57,777,394	56,236,910	—	—	56,236,910
Auxiliary enterprises	58,928,858	—	—	58,928,858	54,468,521	—	—	54,468,521
Total expenses	343,111,229	—	—	343,111,229	331,617,609	—	—	331,617,609
Excess (deficiency) of operating revenues over expenses	4,384,913	3,192,648	907,011	8,484,572	(270,342)	1,795,668	1,485,063	3,010,389
Nonoperating activities:								
Investment return, net (note 5)	(231,213)	(1,419,321)	—	(1,650,534)	1,109,159	19,754,731	—	20,863,890
Effect of underwater endowments (note 5)	(2,376)	2,376	—	—	693,738	(693,738)	—	—
Changes in postretirement health benefits obligation other than net periodic cost (note 14)	17,514,817	—	—	17,514,817	(239,831)	—	—	(239,831)
Other	(558,646)	20,719	7,212	(530,715)	(214,829)	93,197	21,129	(100,503)
	16,722,582	(1,396,226)	7,212	15,333,568	1,348,237	19,154,190	21,129	20,523,556
Change in net assets	21,107,495	1,796,422	914,223	23,818,140	1,077,895	20,949,858	1,506,192	23,533,945
Net assets, beginning of year	16,824,899	89,028,490	78,500,349	184,353,738	8,864,584	74,961,052	76,994,157	160,819,793
Cumulative effect adjustment (note 2)	—	—	—	—	6,882,420	(6,882,420)	—	—
Net assets, end of year (2014 amounts as adjusted)	$ 37,932,394	90,824,912	79,414,572	208,171,878	16,824,899	89,028,490	78,500,349	184,353,738

See accompanying notes to financial statements.

PACE UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2015 and 2014

		2015	2014
Cash flows from operating activities:			
Change in net assets	$	23,818,140	23,533,945
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Net appreciation in fair value of investments		(2,429,359)	(23,776,083)
Net appreciation in fair value in split-interest agreement investments		(1,482)	(85,749)
Investment return on funds held by bond trustee		(79,056)	342,573
Change in value of split-interest agreement liabilities		(14,767)	39,900
Postretirement related changes other than net periodic pension cost		(17,514,817)	239,831
Provision for doubtful student loans receivable		46,101	260,795
Deferred rental revenue		(944,196)	(944,200)
Depreciation		12,813,792	12,123,202
Amortization of bond premium and bond issuance costs		(140,581)	(212,998)
Revenues restricted for permanent investment and capital		(6,510,298)	(2,895,033)
Changes in operating assets and liabilities:			
Student accounts receivable		1,718,977	(430,948)
Grants and other receivables		(310,739)	403,833
Prepaid expenses and other assets		81,735	203,950
Contributions receivable, net		1,022,915	713,335
Noncapital accounts payable and accrued liabilities		4,520,247	6,092,596
Deferred revenues and deposits		3,455,574	4,548,162
Asset retirement obligations		(420,359)	(9,202)
Accrued postretirement benefit obligation		1,042,089	1,435,240
U.S. government grants refundable		249,536	115,906
Net cash provided by operating activities		20,403,452	21,699,055
Cash flows from investing activities:			
Repayment of student loans, net		710,927	3,313
Purchase of plant assets		(79,407,857)	(21,272,011)
Purchase of investments		(3,518,824)	(127,185,113)
Proceeds from sale of investments		6,664,627	134,647,961
Net cash used in investing activities		(75,551,127)	(13,805,850)
Cash flows from financing activities:			
Contributions received for capital projects and permanent investments		6,510,298	2,895,033
Net (increase) decrease in contributions receivable for capital projects and permanent investments		(4,198,351)	502,330
Repayment of notes payable		(15,000,000)	(34,000,000)
Proceeds from notes payable		5,000,000	15,000,000
Bond issuance costs		—	(2,127,210)
Proceeds from indebtedness		—	99,996,809
Repayment of indebtedness		(3,525,000)	(3,636,000)
Decrease (increase) in funds held by bond trustees		67,635,363	(90,235,124)
Net cash provided by (used in) financing activities		56,422,310	(11,604,162)
Net increase (decrease) in cash and cash equivalents		1,274,635	(3,710,957)
Cash and cash equivalents at beginning of year		11,183,992	14,894,949
Cash and cash equivalents at end of year	$	12,458,627	11,183,992
Supplemental disclosure:			
Interest paid	$	8,069,312	4,167,321
Supplemental schedule for noncash investing activities:			
Accounts payable increase for purchase of plant assets	$	6,385,787	3,189,419

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.

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.

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, 2015 and 2014. 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.

(2) Change in Accounting Principle

On July 1, 2014, the University elected to change its method of accounting for the expiration of restrictions on gifts of long-lived assets and for their purchase or construction, to expire (to be released) as the assets are placed in service. Prior to July 1, 2014, the University's method was to account for the expiration of the restriction over the useful life of the donated, purchased, or constructed asset. The new method of accounting for expiration of restrictions on gifts of long-lived assets was adopted as the University believes that the expiration of the restrictions when the asset is placed in service is preferable because the expiration of the related assets as placed in service is more meaningful in the form, substance, and spirit of the donor's intentions and the method adopted is more widely recognized and prevalent practice by universities.

The impact of the change to Net Assets at June 30, 2014 is as follows:

	As originally reported	Cummulative effect adjustment	As adjusted
Net assets at June 30, 2014:			
General, unrestricted	96,780,366	6,882,420	103,662,786
Total, unrestricted	9,942,479	6,882,420	16,824,899
Temporarily restricted	95,910,910	(6,882,420)	89,028,490

The cumulative effect adjustment represents gift amounts for long-lived assets that were placed in service prior to July 1, 2014 but not released from restrictions under the University's previous accounting method. The effect of the accounting change for the year ended June 30, 2015 is for gift amounts of approximately

$1,728,037 million released from restriction in fiscal 2015 that would have been released over the useful life of the related long-lived assets under the previous accounting method.

(3) 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 standards established by the Financial Accounting Standards Board (FASB) for external financial reporting by not-for-profit organizations. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

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

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that stipulate that they be maintained permanently by the University, but permit the University to expend part or all of the income derived therefrom.

Revenues and gains and losses on investments and other assets are reported as changes in unrestricted net assets unless limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets are reported as net assets released from restrictions.

(b) Cash Equivalents and Short-Term Investments

The University considers all highly liquid instruments with 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.

(c) Government Grants and Contracts

Government grants and contracts are treated as exchange transactions and, accordingly, are reported as unrestricted revenue when expenses are incurred in accordance with their contractual terms.

(d) Contributions

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged. Contributions with purpose or time restrictions are reported as increases in temporarily restricted net assets and are released to unrestricted net assets when the purpose or time restrictions are met. Contributions subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of long-lived assets and for their purchase or construction are reported as temporarily restricted net assets and are released to unrestricted net assets when the assets are placed in service. See note (2), Change in Accounting Principle.

Contributions to be received after one year are discounted at a risk-adjusted rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contribution. An allowance is recorded for uncollectible contributions based on management's judgment, past collection experience, and other relevant factors.

(e) Split-Interest Agreements

The University's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts, for which the University serves as trustee, and charitable gift annuities. Assets associated with such split-interest agreements are included in investments. Contributions are recognized at the date the trusts are established or when funds are transferred from the donor to the University after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted annually for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits. Such adjustments are reflected as change in value of split-interest agreements included in Other Sources in the Statement of Activities.

(f) Investments

Investments are reported at fair value based upon quoted market prices or net asset values. The University applies the provisions of FASB 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, as reported by the University's external investment managers.

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.

During the year ended June 30, 2014, the University transitioned a significant portion of its investments to the Pace Fund. The University continues to set investment policy, asset allocation and ranges, and monitors performance. The University has delegated the authority for investment decisions of the Pace Fund to Cambridge Associates, which includes asset allocation within approved ranges.

(g) Plant Assets

Plant assets are stated at cost, except for library books and art collections, which are recorded at a nominal amount of $1 per volume.

Depreciation of plant assets is computed on a straight-line basis over their estimated useful lives. Depreciable lives of land improvements, buildings, building improvements, and leasehold improvements range from 5 years to 90 years and the depreciable lives of furniture and equipment range from 3 years to 20 years.

(h) Asset Retirement Obligations

Upon acquisition, and when reasonably estimable, the University recognizes the fair value of the liability related to the legal obligation to perform asset retirement activity on tangible long-lived assets.

(i) U.S. Government Grants Refundable

Funds provided by the U.S. government under the Federal Perkins and Nursing Student Loan programs are loaned to qualified students and are included in student loans receivable in the Balance Sheets. Such amounts may be re-loaned after collection. These funds are ultimately refundable to the government and, therefore are presented in the Balance Sheets as a liability.

(j) Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The University has early adopted Accounting Standards Update 2015-07 (ASU 2015-07), *Fair Value Measurement (Topic 820), Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*. ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. Prior to the issuance of ASU 2015-07, investments valued using the net asset value per share practical expedient were categorized within the fair value hierarchy based upon the ability to redeem investments on the measurement date. In accordance with ASU 2015-07, the University applied the provisions retrospectively.

(k) Accounting for Uncertainty in Income Taxes

Income generated that is unrelated to the University's exempt purpose is subject to tax. The University believes it did not have any material tax liability nor any significant uncertain tax positions for the years ended June 30, 2015 and 2014. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

(Continued)

(l) Operations

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 of Trustees, investment return on funds held by bond trustees, changes in postretirement health benefits obligation other than net periodic cost, and other nonrecurring transactions.

(m) Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (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. Significant 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. Actual results could differ from those estimates.

(n) Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

(4) Contributions Receivable

Contributions receivable as expected to be collected, are as follows at June 30:

		2015	2014
Amounts expected to be collected in:			
Less than one year	$	2,712,735	3,901,855
One to five years		5,184,636	1,938,160
More than five years		6,001,135	5,047,083
		13,898,506	10,887,098
Less discount to present value from 0.13% to 5.15%		(2,458,145)	(1,844,499)
Less allowance for uncollectible amounts		(524,194)	(1,301,868)
	$	10,916,167	7,740,731

Included in contributions receivable at June 30, 2015 and 2014 are outstanding pledges from five donors and three donors respectively, which collectively represent 78% and 81%, respectively, of total related outstanding gross contributions receivable balances.

(5) Investments and Investment Return

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

	2015	2014
Pace Fund:		
Cash and cash equivalents	$ 8,610,255	5,989,102
Common stocks	4,829,416	6,394,731
Mutual funds:		
International equities	31,435,579	37,959,155
Inflation sensitive	2,042,209	2,911,561
	33,477,788	40,870,716
Exchange traded funds:		
International equities	—	937,927
Fixed income and Master Limited Partnerships (MLP's)	1,851,967	2,261,399
	1,851,967	3,199,326
Commingled funds:		
Global equities (a)	33,037,456	28,381,471
Alternative investments:		
Diversifiers (b)	13,387,366	11,818,737
Global equities (c)	11,614,335	10,502,939
Inflation sensitive (d)	3,872,581	4,120,344
Long/short equity and credit (e)	19,319,184	17,597,950
Private equity (f)	9,574,339	8,619,397
Distressed (f)	3,011,623	4,341,622
Real assets (f)	1,022,918	1,176,881
	61,802,346	58,177,870
Pace Fund total	143,609,228	143,013,216

	2015	2014
Other investments:		
Cash and cash equivalents	1,315,156	183,167
Common stocks	297,071	375,715
Mutual funds:		
Domestic equities	2,161,663	2,031,183
International equities	521,348	497,630
Fixed income	10,365,388	12,726,948
	13,048,399	15,255,761
Alternative investments:		
Hedged equity (g)	—	154,173
Municipal bonds	811,435	814,219
Other investments total	15,472,061	16,783,035
	$ 159,081,289	159,796,251

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, semi-monthly, and quarterly 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 market 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.

(a) Includes investments in limited partnerships, limited liability corporations, and trust funds invested in international equities

(b) Includes investments in limited partnerships and limited liability corporations invested in financial assets in the corporate credit, mortgage-backed securities, asset-backed securities, currency, emerging, equity, and commodity markets

(c) Includes investments in limited partnerships and limited liability corporations invested in international companies that are perceived to be undervalued

(d) Includes investments in limited liability corporations invested in commodities

(e) Includes investments in limited partnerships, limited liability corporations, and trust funds invested in equity, debt, currency, undervalued, and credit markets

(f) Includes investment through limited partnerships in underlying private equity partnerships. The underlying investments are diversified by strategy, fund, and vintage year

(g) Includes investment in funds that invest in long and short positions on equity securities that are primarily marketable securities issued by U.S. companies

Investments include $1,955,145 and $1,961,712 of assets held under split-interest agreements at June 30, 2015 and 2014, respectively.

The University maintains an investment pool for certain investments. The pool is managed to achieve the maximum prudent long-term total return. The University's Board of Trustees has authorized a policy designed to preserve the value of these investments in real terms (after inflation) and provide a predictable flow of funds to support operations. This policy permits the use of total return (dividend and interest income and investment gains) at a rate (spending rate) of 5% of the quarterly three-year moving average fair value of the pooled investments. In accordance with the above spending rate, $4,914,867 and $4,544,813 of investment return was made available for the years ended June 30, 2015 and 2014, respectively, to support operations of the University. This was offset by investment loss from nonpooled investments, cash and cash equivalents, and short-term investments of $56,777 and $36,530 in fiscal years 2015 and 2014, respectively.

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, 2015, the Pace Fund had commitments of $5,695,029 for which capital calls had not been exercised. This amount has not been recorded as a liability in the Balance Sheets. The University maintains sufficient liquidity in its portfolio to cover such calls.

The Pace Fund contains various redemption restrictions with required notice periods. The following table summarizes the composition of such investments by redemption provision and notice period at June 30, 2015:

	Redemption provision	Notice period		Amount
Commingled funds	Weekly	1 day	$	1,548,168
	Monthly	10 days		4,358,438
		30 days		3,738,247
		60 days		5,130,496
	Semi-monthly	5 days		3,875,832
	Quarterly	30 days		6,462,811
	Quarterly	34 days		1,597,861
	Quarterly	45 days		6,325,603
Alternative investments:				
Diversifiers	Monthly	17 days		5,847,095
	Quarterly	60 days		4,319,874
	Quarterly	85 days		3,220,397
Global equities	Quarterly	45 days		6,019,835
	Triennial	90 days		5,594,500
Inflation sensitive	Monthly	60 days		3,872,581
Long/short equity and credit	Quarterly	45 days		3,265,105
	Quarterly	60 days		4,239,128
	Semi-annual	60 days		2,775,795
	Annual	60 days		3,077,035
	Lock-up			5,962,121
Private equity partnerships (including distressed and real assets)	Illiquid			13,608,880
			$	94,839,802

The redemption lock-up on certain funds are set to expire in 2016 ($4,080,290) and 2017 ($1,881,830).

The following summarizes the University's total investment return (excluding investment return on assets held under split-interest arrangements) and its classification in the financial statements for the years ended June 30, 2015 and 2014:

		2015		
		Unrestricted	**Temporarily restricted**	**Total**
Dividends and interest on investments (net of expenses of $972,718)	$	(8,259)	786,456	778,197
Net appreciation in fair value of investments		149,328	2,280,031	2,429,359
Total investment return		141,069	3,066,487	3,207,556
Investment return appropriated for operations		372,282	4,485,808	4,858,090
Effect of underwater endowments		(2,376)	2,376	—
Investment return, net	$	(231,213)	(1,419,321)	(1,650,534)

		2014		
		Unrestricted	**Temporarily restricted**	**Total**
Dividends and interest on investments (net of expenses of $602,174)	$	31,708	1,564,382	1,596,090
Net appreciation in fair value of investments		1,504,498	22,271,585	23,776,083
Total investment return		1,536,206	23,835,967	25,372,173
Investment return appropriated for operations		427,047	4,081,236	4,508,283
Effect of underwater endowments		693,738	(693,738)	—
Investment return, net	$	1,109,159	19,754,731	20,863,890

(6) Endowment Funds

The University's endowment consists of 397 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (quasi-endowments). As required by 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 so 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by NYPMIFA.

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

	2015			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment	$ (2,376)	72,178,756	74,918,117	147,094,497
Board-designated endowment	9,560,705	—	—	9,560,705
Total pooled endowment	9,558,329	72,178,756	74,918,117	156,655,202
Nonpooled investments	162,814	2,032,591	230,682	2,426,087
Total investments	$ 9,721,143	74,211,347	75,148,799	159,081,289

	2014			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment	$ —	73,612,940	73,916,263	147,529,203
Board-designated endowment	9,752,872	—	—	9,752,872
Total pooled endowment	9,752,872	73,612,940	73,916,263	157,282,075
Nonpooled investments	238,917	2,053,091	222,168	2,514,176
Total investments	$ 9,991,789	75,666,031	74,138,431	159,796,251

Included in donor-restricted endowments at June 30, 2015 and 2014 are $43,504,905 and $42,607,933, respectively, of temporarily restricted net assets expendable only for projects approved by the donor or the donor's designee.

Changes in pooled endowment assets for the year ended June 30, 2015 were as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment at June 30, 2014	$	9,752,872	73,612,940	73,916,263	157,282,075
Investment return:					
Investment income		(8,259)	786,456	—	778,197
Net appreciation in fair value of investments		149,328	2,280,031	—	2,429,359
Total return on investment		141,069	3,066,487	—	3,207,556
Less loss (gain) on nonpooled investments		56,777	(23,286)	—	33,491
Total endowment return on investment		197,846	3,043,201	—	3,241,047
Contributions		24,060	30,100	1,001,854	1,056,014
Appropriation of endowment assets for expenditure		(429,059)	(4,485,808)	—	(4,914,867)
Effect of underwater endowments		(2,376)	2,376	—	—
Other changes, including transfers		14,986	(24,053)	—	(9,067)
Endowment at June 30, 2015	$	9,558,329	72,178,756	74,918,117	156,655,202

Changes in pooled endowment assets for the year ended June 30, 2014 were as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment at June 30, 2013	$	7,802,934	57,826,264	72,005,076	137,634,274
Investment return:					
Investment income		31,708	1,564,382	—	1,596,090
Net appreciation in fair value of investments		1,504,498	22,271,585	—	23,776,083
Total return on investment		1,536,206	23,835,967	—	25,372,173
Less loss (gain) on nonpooled investments		36,530	(45,628)	—	(9,098)
Total endowment return on investment		1,572,736	23,790,339	—	25,363,075
Contributions		83,437	15,000	1,520,854	1,619,291
Appropriation of endowment assets for expenditure		(463,577)	(4,081,236)	—	(4,544,813)
Effect of underwater endowments		693,738	(693,738)	—	—
Other changes, including transfers		63,604	(3,243,689)	390,333	(2,789,752)
Endowment at June 30, 2014	$	9,752,872	73,612,940	73,916,263	157,282,075

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. In accordance with GAAP, such deficiencies would be reported in temporarily restricted net assets to the extent there are accumulated gains available to absorb such loss, or otherwise unrestricted net assets. At June 30, 2015, unrestricted net assets reflected a deficiency of $2,376. There was no deficiency as of June 30, 2014.

(7) Fair Value of Financial Instruments

The carrying amount of student accounts receivable, grants and other receivables, accounts payable and accrued liabilities, and notes payable approximates fair value because of the short term maturity of these financial instruments. The U.S. government grants refundable amounts are adjusted quarterly based on government guidelines and approximate fair value. The estimated fair value of these instruments, however, involve certain unobservable inputs considered to be Level 3 in the fair value hierarchy.

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting commensurate with the duration of the donor's payment plan. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. In subsequent periods, the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discounts is recorded as additional contribution revenue.

A reasonable estimate of the fair value of loans receivable from students under government loan programs could not be made because the notes are not marketable and can only be assigned to the U.S. government or its designees. The fair value of the loans receivable from students under the University's loan programs approximates carrying value. The inputs to the fair value estimate are considered Level 3 in the fair value hierarchy.

Funds held by bond trustees are reported at fair value and are invested in short-term, highly liquid securities considered Level 1 in the fair value hierarchy.

The carrying amount of long-term debt approximates fair value because these financial instruments bear interest at various rates, which, when averaged, are not significantly different from current market rates for loans with similar maturities and credit quality. The fair value was estimated by evaluation service using market information of the specific bond and other bonds with similar characteristics (such as sector, credit rating, and maturity). These inputs to estimate fair value are considered Level 2 in the fair value hierarchy.

The following table presents financial instruments (underlying investments) that are measured at fair value and at net asset value as of June 30, 2015:

	June 30, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Cash and cash equivalents	$ 1,315,156	—	—	1,315,156
Common stocks	292,169	—	—	292,169
Mutual funds:				
Domestic equities	2,161,663	—	—	2,161,663
International equities	521,348	—	—	521,348
Fixed income	10,365,388	—	—	10,365,388
Municipal bonds	811,435	—	—	811,435
	$ 15,467,159	—	—	15,467,159
Investments measured at net asset value:				
Pace fund				143,609,228
Other investments				4,902
				143,614,130
Total investments				$ 159,081,289
Funds held by bond trustees	$ 33,677,998	—	—	33,677,998

The following table presents financial instruments (underlying investments) that are measured at fair value and at net asset value as of June 30, 2014:

	June 30, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Cash and cash equivalents	$ 182,899	268	—	183,167
Common stocks	355,449	—	—	355,449
Mutual funds:				
Domestic equities	2,031,183	—	—	2,031,183
International equities	497,630	—	—	497,630
Fixed income	12,726,948	—	—	12,726,948
Alternative investments:				
Hedged equity	154,173	—	—	154,173
Municipal bonds	814,219	—	—	814,219
	$ 16,762,501	268	—	16,762,769
Investments measured at net asset value:				
Pace fund				143,013,216
Other investments				20,266
				143,033,482
Total investments				$ 159,796,251
Funds held by bond trustees	$ 101,234,305	—	—	101,234,305

There were no transfers between fair value hierarchy levels in 2015 and 2014.

While the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

(8) Plant Assets

Plant assets at June 30, 2015 and 2014 consist of the following:

	2015	2014
Land	$ 12,659,093	12,659,093
Land improvements	4,735,009	6,181,935
Buildings, leaseholds, and improvements	342,638,967	326,539,231
Construction in progress	86,024,072	22,072,235
Furniture and equipment	79,233,992	77,868,041
Library books	1,024,354	1,050,220
Total	526,315,487	446,370,755
Less accumulated depreciation	(171,688,148)	(164,723,268)
	$ 354,627,339	281,647,487

The University capitalized interest of $4,749,963 and $1,545,351 for years ended June 30, 2015 and 2014, respectively. The capitalized interest amount for the year ended June 30, 2015 is net of interest income from funds held by bond trustees of $291,622.

Included in buildings, leaseholds and improvements at June 30, 2015 and 2014 is $16,226,522 relating to a training facility received in exchange for use of land. See note 12 for a discussion on the Judicial Training Institute. Construction in progress primarily consists of amounts funded for the construction of new facilities from the proceeds of the Series 2014 A and B Bonds. See note (10), Long-Term Debt.

(9) Notes Payable

On October 15, 2013, the University replaced a previously established drawdown note with an unsecured one-year line of credit with a seasonal commitment of up to $45,000,000. The line bears interest at LIBOR plus 180 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 4-year term loan facility. The University is required to be out of the line for at least 30 consecutive days, twice per year.

On March 31, 2014, the University amended the seasonal commitment from $45,000,000 to $41,500,000 and then amended again from $41,500,000 to $40,000,000 on November 28, 2014. As of June 30, 2015, the available unused amount under this line of credit was $35,000,000. The University has an outstanding balance of $5,000,000 under the line of credit as of June 30, 2015, which was outstanding from June 29, 2015 to when it was subsequently repaid on July 29, 2015.

During 2015 and 2014, interest and fees on borrowings amounted to $36,430 and $138,126, respectively.

(Continued)

(10) Long-Term Debt

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

		2015	2014
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 effective fixed rate of 4% per annum, plus unamortized premium of $8,220,978 and $8,527,350 at June 30, 2015 and 2014, respectively	$	98,200,978	101,467,350
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		18,565,000	19,130,000
Westchester County Local Development Corporation (WCLDC):			
Revenue Bonds, Pace University issue, $85,665,000, Series 2014A, due serially to 2042 at effective fixed rate of 5% per annum through May 2034 increasing to a rate of 5.5% to maturity, less unamortized discount of $566,710 and $587,895 at June 30, 2015 and 2014, respectively		85,098,290	85,077,105
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		14,925,000	14,925,000
Total long-term debt	$	216,789,268	220,599,455

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, 2015 and June 30, 2014, $1,214,167 and $3,648,191, respectively, of unexpended funds from these bonds was included in Funds Held by Bond Trustees in the Balance Sheet.

The Series 2013B Bonds (Federally Taxable) were issued on March 7, 2013 to (i) refund a portion of the $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, 2015 and June 30, 2014, $142,872 and $144,868, respectively, was included in Funds Held by Bond Trustees in the Balance Sheet. 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% per annum based on the University's current credit rating. The weighted average interest rate in 2015 for the Series 2013B Bonds was 1.7%. The range of rates in 2015 was 1.6% to 1.9%.

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, 2015 and June 30, 2014, $31,641,470 and $82,854,641, respectively, was included in Funds Held by Bond Trustees in the Balance Sheet and consisted of construction funds.

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 2015 for the Series 2014B Bonds was 1.1%. The range of rates in 2015 was 1.0% to 1.3%. At June 30, 2015 and June 30, 2014, $679,489 and $14,586,605, respectively, was included in Funds Held by Bond Trustees in the Balance Sheet and consisted of construction funds.

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, 2015 and 2014 was $4,501,166 and $4,369,473, respectively. These amounts are net of capitalized interest of $5,041,585 and $1,545,351.

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, 2015 and 2014, the University was in compliance with its financial debt covenant requirements.

(11) Debt Service – Long-Term Debt

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

		DASNY Bonds	WCLDC Bonds	Total
Year ending June 30:				
2016	$	3,635,000	—	3,635,000
2017		3,785,000	—	3,785,000
2018		3,975,000	—	3,975,000
2019		4,130,000	—	4,130,000
2020		4,335,000	—	4,335,000

(12) Judicial Training Institute

On April 5, 2000, the University entered into a loan agreement with the Authority for the issuance of up to $17,500,000 State Judicial Institute at Pace University Insured Lease Revenue Bonds, Series 2000 (the Bonds) dated July 1, 2000. In July 2000, bonds with a face value of $16,105,000 plus accrued interest were issued. Proceeds from the Bonds were used to finance the construction of a judicial training facility on the University's White Plains campus to serve as the New York State Judicial Training Institute (the Institute). The Institute was established to serve as a statewide center for continuing education, training, and research for all judges and justices of the Unified Court System (the System). The Bonds are due serially through 2020 at interest rates ranging from 4.5% to 5.5% per annum with interest payable every October 1 and principal, sinking fund installments, and interest payable every April 1. These bonds are solely payable from certain revenues, funds, and assets pledged by the System as security for the payment thereof, including certain rental payments to be made by the System to the University pursuant to an agreement of sublease, also dated April 5, 2000, in amounts sufficient to pay the principal, sinking fund installments, and interest on the Bonds. Payments to be made under the sublease have been assigned to the Authority pursuant to an assignment of sublease and rent agreement, dated April 5, 2000, between the University and the Authority that requires the System to make payments to the Authority by March 31 of each year. As a result of the assignment, the loan agreement between the Authority and the University is without recourse to the University and the University's repayment obligation on the Series 2000 Bonds are payable solely from the aforesaid rental payments as received under the sublease with the System. The obligation of the System to make payments of rent under the sublease is subject to annual appropriations by the State of New York for such purpose. The Bond proceeds and related obligation are not included in the financial statements.

The University recorded the cost of the training facility of $16,208,704 as deferred rental revenue. The deferred rental revenue is recognized on a straight-line basis over the life of the related lease, May 1, 2003 through June 30, 2020. At June 30, 2015 and 2014, deferred rental revenue of $4,720,982 and $5,665,178, respectively, is included in the Balance Sheets. For each of the years ended June 30, 2015 and 2014, $944,196 and $944,200, respectively, was recognized as rental revenue and is included in Other Sources in the Statements of Activities.

(13) Asset Retirement Obligations

The University has recorded conditional asset retirement obligations primarily for removal and/or abatement of certain building asbestos. Asset retirement obligations at June 30, 2015 and 2014 amounted to $3,028,636 and $3,448,995, respectively.

(14) 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.

The University reports the funded status of its postretirement plans on its Balance Sheets. The following provides a summary of this unfunded plan as of June 30, 2015:

	2015	2014
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 86,837,887	85,162,816
Service cost	539,232	524,063
Interest cost	3,486,156	3,732,884
Participants' contributions	565,043	606,811
Amendments	(20,256,717)	—
Actuarial loss	3,192,857	534,408
Benefits paid	(4,211,676)	(3,944,839)
Subsidies received	212,377	221,744
Benefit obligation at end of year	70,365,159	86,837,887
Change in plan assets:		
Employer contribution	3,434,256	3,116,284
Plan Participants' contributions	565,043	606,811
Benefits paid	(4,211,676)	(3,944,839)
Subsidies received	212,377	221,744
Fair value of plan assets at end of year	—	—
Accrued postretirement health benefits obligation	$ 70,365,159	86,837,887

During 2015, the Board of Trustees approved the elimination of all retiree prescription drug coverage under the plan beginning in 2020. In conjunction with this plan amendment, a stipend of $100 per month (adjusted annually for cost of living provisions) is to be paid to retirees to assist with their prescription drug coverage to be obtained from private insurance under the provisions of Medicare Part D of the Affordable Care Act. As a result, there was a reduction in the University's benefit obligation in 2015 of approximately $20.3 million. In addition, the 2015 benefit obligation increased by a net actuarial loss of approximately $3.2 million, which was primarily the result of updated mortality assumptions ($8.9 million) offset by actuarial gains primarily due to increases in the discount rate assumption and favorable claims and other results ($5.7 million).

The net periodic postretirement benefit expense includes the following components:

		2015	2014
Net periodic benefit cost:			
Service cost	$	539,232	524,063
Interest cost		3,486,156	3,732,884
Amortization of prior service credit		(633,764)	(633,768)
Amortization of net loss		1,084,721	928,345
Total net periodic benefit cost	$	4,476,345	4,551,524

The discount rates for were as follows:

	2015	2014
Benefit obligation weighted average assumptions as of June 30, 2015 and 2014:		
Discount rate	4.45%	4.25%
Benefit cost weighted average assumptions for the years ended June 30, 2015 and 2014:		
Discount rate	4.25%	4.75%

Other changes in postretirement benefit obligations recognized in unrestricted net assets include the following components:

		2015	2014
Prior service cost credit	$	(20,256,717)	—
Actuarial net loss		3,192,857	534,408
Amortization of prior service credit		633,764	633,768
Amortization of net loss		(1,084,721)	(928,345)
	$	(17,514,817)	239,831

As of June 30, 2015 and 2014, the items not yet recognized as net periodic postretirement benefit cost are as follows:

		2015	2014
Prior service credit	$	(20,256,717)	(633,764)
Net loss		22,817,497	20,709,361
	$	2,560,780	20,075,597

(Continued)

The estimated prior service credit and net loss that will be amortized into net periodic benefit cost in 2016 are $3,185,015 and $1,841,421, respectively.

For measurement purposes, a 7.5% (8.0% in 2014) 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 year ended June 30, 2015, decreasing to 4.5% in 2021 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 $9,784,782 and $636,530, respectively, in 2015. A 1% decrease in the rate translates to a decrease in the accumulated postretirement benefit obligation and service and interest cost of $7,887,366 and $507,183, respectively, in 2015.

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

	Before Medicare subsidy	Medicare subsidy	After Medicare subsidy
2016	$ 4,042,138	303,287	3,738,851
2017	4,448,459	333,179	4,115,280
2018	4,730,313	367,954	4,362,359
2019	4,966,006	402,968	4,563,038
2020	5,108,644	420,786	4,687,858
2021 through 2025	18,954,823	—	18,954,823

(15) Defined Contribution Retirement Plan

The University has a defined contribution retirement plan established in accordance with Section 403(b) of the Internal Revenue Code 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 makes 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, 2015 and 2014 amounted to $10,611,021 and $10,381,332, respectively.

(16) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 and 2014 are available to support the following areas:

	2015	2014*
Instruction	$ 35,321,448	35,314,159
Research	1,380,900	1,268,930
Academic support	20,043,372	20,118,348
Student activities	1,389,070	1,535,297
Institutional support	3,437,566	3,754,754
Capital projects	4,207,331	4,200,598
Scholarships	17,193,032	18,346,478
Contributions receivable	6,950,447	3,608,899
Split-interest agreements	901,746	881,027
	$ 90,824,912	89,028,490

* Certain amounts have been adjusted to conform to current year presentation as a result of the change in accounting. See note (2).

Certain temporarily restricted net assets available to support the Lubin School of Business are expendable only for projects approved by the donor's designee.

Permanently restricted net assets are restricted to investment in perpetuity, with investment return principally available to support scholarships and fellowships, academic programs, academic chairs, and capital improvements.

(17) 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 $148,561,121 and $136,727,532 for the years ended June 30, 2015 and 2014, respectively.

(18) Leases

The University leases office, student housing, and classroom space under several operating lease agreements expiring at various dates through 2045. The minimum annual rentals in connection with such leases are as follows:

		Active leases As of June 30, 2015	Beekman lease amounts	Total
Year ending June 30:				
2016	$	22,580,373	7,052,278	29,632,651
2017		23,435,433	7,869,703	31,305,136
2018		15,627,387	8,066,446	23,693,833
2019		15,917,889	8,268,107	24,185,996
2020		16,060,920	8,474,809	24,535,729
2021 and thereafter		227,768,566	298,029,537	525,798,103
	$	321,390,568	337,760,880	659,151,448

In August of 2012, the University entered into an agreement to lease a residence hall (the Hall) to be constructed at 33 Beekman Street in New York City. Upon completion of the construction on August 1, 2015 the University obtained possession of the Hall under a lease agreement (the Beekman lease) for a 30 year term. The future annual rentals under the Beekman lease have been noted separately in the above table as the lease commenced subsequent to June 30, 2015.

Included in the above are lease commitments for student housing of $549,646,553 including amounts under the Beekman lease that expire through 2045.

Total rental expense for the years ended June 30, 2015 and 2014 was $34,093,979 and $30,126,245, respectively. Included in accounts payable and accrued liabilities is a deferred rent obligation of $13,439,452 and $10,996,686 at June 30, 2015 and 2014, respectively, which represents the effect of straight-lining the total minimum lease payments over the lease terms.

(19) 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 $5,722,462 and $5,591,637 for the years ended June 30, 2015 and 2014, respectively. For purposes of reporting fund-raising expenses, the University includes only those fund-raising costs incurred by its development office.

(20) Allocation of Certain Expenses

The University allocates operation and maintenance of plant and depreciation based upon square footage. Interest and other debt-related expenses are allocated based on the related plant debt assignment. For the year ended June 30, 2015 (with comparative totals for 2014), the following allocation of expenses was included in the Statements of Activities:

		Allocated expenses				
		Operation and maintenance of plant	**Depreciation**	**Interest and other debt-related expenses**	**Direct expenses**	**Total per statement of activities**
Instruction	$	6,174,126	2,210,033	642,726	117,944,725	126,971,610
Research		470,630	168,462	30,061	3,964,289	4,633,442
Academic support		8,985,993	3,216,543	573,988	37,277,340	50,053,864
Student services		5,619,939	2,011,661	830,551	36,283,910	44,746,061
Institutional support		3,803,484	1,361,460	279,381	52,333,069	57,777,394
Auxiliary enterprises		10,743,469	3,845,633	2,034,354	42,305,402	58,928,858
Total 2015	$	35,797,641	12,813,792	4,391,061	290,108,735	343,111,229
Total 2014	$	35,119,725	12,123,202	4,294,599	280,080,083	331,617,609

(21) 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.

(22) Subsequent Events

In accordance with ASC Subtopic 855-10, *Subsequent Events*, the University evaluated subsequent events after the balance sheet date of June 30, 2015 through November 10, 2015, which was the date the financial statements were issued, and determined that there were no additional matters required to be disclosed.