PACE UNIVERSITY

Financial Statements

June 30, 2016 and 2015

(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, 2016 and 2015, 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, 2016 and 2015, 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 15, 2016

PACE UNIVERSITY

Balance Sheets

June 30, 2016 and 2015

Assets		2016	2015
Cash and cash equivalents	$	9,652,071	12,458,627
Student accounts receivable (net of allowance for doubtful accounts of $2,962,120 and $2,925,504, respectively)		6,350,723	6,023,929
Grants and other receivables		5,712,657	4,528,993
Prepaid expenses and other assets		6,595,677	6,464,988
Contributions receivable, net (note 3)		29,574,251	10,916,167
Investments (notes 4, 5, and 6)		154,523,082	159,081,289
Student loans receivable (net of allowance for doubtful accounts of $4,373,004 and $4,228,249, respectively)		12,318,213	12,125,689
Funds held by bond trustees, at fair value (notes 6 and 9)		1,894,355	33,677,998
Plant assets, net (note 7)		392,040,715	354,627,339
Total assets	$	618,661,744	599,905,019
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities (note 17)	$	56,485,119	56,969,801
Notes payable (note 8)		—	5,000,000
Deferred revenue and deposits		24,069,516	21,768,059
Long-term debt (notes 9 and 10)		211,379,082	216,789,268
Deferred rental revenue (note 11)		3,776,784	4,720,982
Asset retirement obligations (note 12)		8,387,392	3,028,636
Accrued postretirement health benefits obligation (note 13)		79,028,244	70,365,159
U.S. government grants refundable		12,653,196	13,091,236
Total liabilities		395,779,333	391,733,141
Commitments and contingencies (notes 4, 8, 9, 17, and 20)			
Net assets (note 5):			
Unrestricted:			
General		117,612,810	108,297,553
Accrued postretirement health benefits obligation (note 13)		(79,028,244)	(70,365,159)
Total unrestricted		38,584,566	37,932,394
Temporarily restricted (note 15)		81,354,058	90,824,912
Permanently restricted (note 15)		102,943,787	79,414,572
Total net assets		222,882,411	208,171,878
Total liabilities and net assets	$	618,661,744	599,905,019

See accompanying notes to financial statements.

PACE UNIVERSITY

Statements of Activities

Years ended June 30, 2016 and 2015

	2016				2015			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Unrestricted**	**Temporarily restricted**	**Permanently restricted**	**Total**
Revenue:								
Tuition and fees, net (note 16)	$ 269,716,886	—	—	269,716,886	258,694,994	—	—	258,694,994
Government grants and contracts	9,561,702	—	—	9,561,702	7,497,399	—	—	7,497,399
State appropriations	847,527	—	—	847,527	809,046	—	—	809,046
Contributions	1,178,841	11,287,362	23,545,539	36,011,742	1,736,554	9,366,155	906,917	12,009,626
Investment return appropriated (note 4)	458,211	4,195,358	—	4,653,569	372,282	4,485,808	—	4,858,090
Sales and services of auxiliary enterprises	65,564,545	—	—	65,564,545	59,216,297	—	—	59,216,297
Other sources	7,377,425	—	729	7,378,154	8,510,255	—	94	8,510,349
Net assets released from restrictions	14,514,956	(14,514,956)	—	—	10,659,315	(10,659,315)	—	—
Total revenue	369,220,093	967,764	23,546,268	393,734,125	347,496,142	3,192,648	907,011	351,595,801
Expenses (notes 18 and 19):								
Instruction	129,217,401	—	—	129,217,401	126,971,610	—	—	126,971,610
Research	5,575,263	—	—	5,575,263	4,633,442	—	—	4,633,442
Academic support	49,531,272	—	—	49,531,272	50,053,864	—	—	50,053,864
Student services	46,469,126	—	—	46,469,126	44,746,061	—	—	44,746,061
Institutional support	55,889,960	—	—	55,889,960	57,777,394	—	—	57,777,394
Auxiliary enterprises	69,315,002	—	—	69,315,002	58,928,858	—	—	58,928,858
Total expenses	355,998,024	—	—	355,998,024	343,111,229	—	—	343,111,229
Excess of operating revenue over expenses	13,222,069	967,764	23,546,268	37,736,101	4,384,913	3,192,648	907,011	8,484,572
Nonoperating activities:								
Investment return, net (note 4)	(854,241)	(10,552,215)	—	(11,406,456)	(231,213)	(1,419,321)	—	(1,650,534)
Effect of underwater endowments (note 4)	(123,638)	123,638	—	—	(2,376)	2,376	—	—
Changes in postretirement health benefits obligation other than net periodic cost (note 13)	(10,192,421)	—	—	(10,192,421)	17,514,817	—	—	17,514,817
Other	(1,399,597)	(10,041)	(17,053)	(1,426,691)	(558,646)	20,719	7,212	(530,715)
	(12,569,897)	(10,438,618)	(17,053)	(23,025,568)	16,722,582	(1,396,226)	7,212	15,333,568
Change in net assets	652,172	(9,470,854)	23,529,215	14,710,533	21,107,495	1,796,422	914,223	23,818,140
Net assets, beginning of year	37,932,394	90,824,912	79,414,572	208,171,878	16,824,899	89,028,490	78,500,349	184,353,738
Net assets, end of year	$ 38,584,566	81,354,058	102,943,787	222,882,411	37,932,394	90,824,912	79,414,572	208,171,878

See accompanying notes to financial statements.

PACE UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2016 and 2015

		2016	2015
Cash flows from operating activities:			
Change in net assets	$	14,710,533	23,818,140
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Net depreciation (appreciation) in fair value of investments		7,642,606	(2,429,359)
Net depreciation (appreciation) in fair value in split-interest agreement investments		61,088	(1,482)
Investment return on funds held by bond trustee		(141,161)	(79,056)
Change in value of split-interest agreement liabilities		(16,895)	(14,767)
Postretirement related changes other than net periodic pension cost		10,192,421	(17,514,817)
Provision for doubtful student loans receivable		144,755	46,101
Deferred rental revenue		(944,198)	(944,196)
Depreciation		14,490,631	12,813,792
Amortization of asset retirement obligation		744,080	176,991
Loss on sale of fixed assets		436,258	—
Amortization of bond premium and bond issuance costs		(140,579)	(140,581)
Revenue restricted for permanent investment and capital		(25,416,512)	(6,510,298)
Changes in operating assets and liabilities:			
Student accounts receivable		(326,794)	1,718,977
Grants and other receivables		(1,183,664)	(310,739)
Prepaid expenses and other assets		(275,296)	81,735
Contributions receivable, net		(2,628,255)	1,022,915
Noncapital accounts payable and accrued liabilities		6,405,498	4,520,247
Deferred revenue and deposits		409,443	3,455,574
Asset retirement obligations		(421,380)	(597,350)
Accrued postretirement benefit obligation		(1,529,336)	1,042,089
U.S. government grants refundable		(438,040)	249,536
Net cash provided by operating activities		21,775,203	20,403,452
Cash flows from investing activities:			
Repayment of student loans, net		(337,279)	710,927
Purchase of plant assets		(55,761,537)	(79,407,857)
Decrease in capital accounts payable		(6,873,285)	—
Proceeds from sale of plant assets		10,349,342	—
Purchase of investments		(5,976,871)	(3,518,824)
Proceeds from sale of investments		2,831,384	6,664,627
Net cash used in investing activities		(55,768,246)	(75,551,127)
Cash flows from financing activities:			
Contributions received for capital projects and permanent investments		25,416,512	6,510,298
Net increase in contributions receivable for capital projects and permanent investments		(16,029,829)	(4,198,351)
Repayment of notes payable		(5,000,000)	(15,000,000)
Proceeds from notes payable		—	5,000,000
Bond issuance costs		—	—
Proceeds from indebtedness		—	—
Retirement of indebtedness		(1,570,000)	—
Repayment of indebtedness		(3,555,000)	(3,525,000)
Decrease in funds held by bond trustees		31,924,804	67,635,363
Net cash provided by financing activities		31,186,487	56,422,310
Net (decrease) increase in cash and cash equivalents		(2,806,556)	1,274,635
Cash and cash equivalents at beginning of year		12,458,627	11,183,992
Cash and cash equivalents at end of year	$	9,652,071	12,458,627
Supplemental disclosure:			
Interest paid	$	7,894,970	8,069,312
Supplemental schedule for noncash investing activities:			
Accounts payable increase for purchase of plant assets	$	—	6,385,787
Increase in plant assets relating to additional asset retirement obligation		5,036,056	—
Increase in plant assets relating to additional deferred revenue		1,892,014	—

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, 2016 and 2015. 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) 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

Revenue 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 revenue 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.

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 Statements 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

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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.

The University maintains a significant portion of its 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, 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 reloaned 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.

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- Level 3 inputs are unobservable inputs for the asset or liability.

In 2015, the University 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.

(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, 2016 and 2015. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

(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 revenue 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.

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(n) New Accounting Pronouncement

During 2016, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which is effective in years beginning after December 31, 2015, including retrospective application upon adoption. ASU 2015-03 requires debt issuance costs related to a debt liability to be presented on the balance sheet as a direct deduction from the debt liability. The University plans to adopt ASU 2015-03 for the year ending June 30, 2017.

(o) Reclassifications

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

(3) Contributions Receivable

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

		2016	2015
Amounts expected to be collected in:			
Less than one year	$	9,568,285	2,712,735
One to five years		18,142,071	5,184,636
More than five years		5,547,084	6,001,135
		33,257,440	13,898,506
Less discount to present value from 0.56% to 1.71%		(2,775,562)	(2,458,145)
Less allowance for uncollectible amounts		(907,627)	(524,194)
	$	29,574,251	10,916,167

Included in contributions receivable at June 30, 2016 and 2015 are outstanding pledges from four donors and five donors, respectively, which collectively represent 85% and 78%, respectively, of total related outstanding gross contributions receivable balances.

(4) Investments and Investment Return

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

	2016	2015
Pace Fund:		
Cash and cash equivalents	$ 7,046,535	8,610,255
Common stocks	4,326,256	4,829,416
Mutual funds:		
International equities	4,299,289	31,435,579
Inflation sensitive	—	2,042,209
Domestic equities	29,207,566	—
	33,506,855	33,477,788
Exchange traded funds:		
Domestic equities	32,271,152	—
Fixed income and Master Limited Partnerships (MLP's)	3,377,287	1,851,967
	35,648,439	1,851,967
Commingled funds:		
Global equities (a)	22,439,271	33,037,456
Alternative investments:		
Diversifiers (b)	4,391,382	13,387,366
Global equities (c)	8,502,089	11,614,335
Inflation sensitive (d)	—	3,872,581
Long/short equity and credit (e)	6,830,108	19,319,184
Private equity (f)	9,056,871	9,574,339
Distressed (f)	2,014,928	3,011,623
Real assets (f)	977,011	1,022,918
	31,772,389	61,802,346
Pace Fund total	134,739,745	143,609,228
Other investments:		
Cash and cash equivalents	6,048,688	1,315,156
Common stocks	275,251	297,071
Mutual funds:		
Domestic equities	2,106,659	2,161,663
International equities	453,331	521,348
Fixed income	10,085,175	10,365,388
	12,645,165	13,048,399
Municipal bonds	814,233	811,435
Other investments total	19,783,337	15,472,061
	$ 154,523,082	159,081,289

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 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, structured credit, event-driven equities, quantitative strategies, volatility, developed fixed income markets, 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 domestic and foreign equities, 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

Investments include $1,891,838 and $1,955,145 of assets held under split-interest agreements at June 30, 2016 and 2015, 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, $4,640,340 and $4,914,867 of investment return was made available for the years ended June 30, 2016 and 2015, respectively, to support operations of the University. There was an investment gain from nonpooled investments, cash and cash equivalents, and short-term investments of $13,229 in fiscal year 2016 and an investment loss of $56,777 in fiscal year 2015.

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, 2016, the Pace Fund had commitments of $7,457,802 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, 2016:

	Redemption provision	Notice period		Amount
Commingled funds	Monthly	10 days	$	6,001,483
		20 days		1,682,542
		30 days		5,180,272
		60 days		4,135,710
	Semi-monthly	5 days		5,439,264
Alternative investments:				
Diversifiers	Quarterly	85 days		1,311,254
	Quarterly	90 days		3,080,128
Global equities	Semi-annual	45 days		3,540,389
	Triennial	90 days		4,961,700
Long/short equity and credit	Quarterly	60 days		2,800,565
	Quarterly	90 days		2,226,220
	Lock-up			1,803,323
Private equity partnerships (including distressed and real assets)	Illiquid			12,048,810
			$	54,211,660

The redemption lock-up on certain funds are set to expire in 2017 ($239,495) and 2018 ($1,563,828).

The following summarizes the University's total investment return (loss) (excluding investment return on assets held under split-interest arrangements) and its classification in the financial statements for the years ended June 30, 2016 and 2015:

		2016		
		Unrestricted	**Temporarily restricted**	**Total**
Dividends and interest on investments (net of expenses of $966,003)	$	71,135	818,584	889,719
Net depreciation in fair value of investments		(467,165)	(7,175,441)	(7,642,606)
Total investment loss		(396,030)	(6,356,857)	(6,752,887)
Investment return appropriated for operations		458,211	4,195,358	4,653,569
Effect of underwater endowments		(123,638)	123,638	—
Investment loss, net	$	(854,241)	(10,552,215)	(11,406,456)

		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)

(5) Endowment Funds

The University's endowment consists of 409 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):

	2016			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted endowment	$ (126,013)	61,810,652	81,910,952	143,595,591
Board-designated endowment	8,589,936	—	—	8,589,936
Total pooled endowment	8,463,923	61,810,652	81,910,952	152,185,527
Nonpooled investments	153,784	1,971,065	212,706	2,337,555
Total investments	$ 8,617,707	63,781,717	82,123,658	154,523,082

	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

Included in donor-restricted endowments at June 30, 2016 and 2015 are $41,637,670 and $43,504,905, 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, 2016 were as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment at June 30, 2015	$ 9,558,329	72,178,756	74,918,117	156,655,202
Investment return:				
Investment income	71,135	818,584	—	889,719
Net depreciation in fair value of investments	(467,165)	(7,175,441)	—	(7,642,606)
Total loss on investment	(396,030)	(6,356,857)	—	(6,752,887)
Less (gain) loss on nonpooled investments	(13,229)	17,448	—	4,219
Total endowment loss on investment	(409,259)	(6,339,409)	—	(6,748,668)
Contributions	24,500	20,000	6,922,319	6,966,819
Appropriation of endowment assets for expenditure	(444,982)	(4,195,358)	—	(4,640,340)
Effect of underwater endowments	(123,638)	123,638	—	—
Other changes, including transfers	(141,027)	23,025	70,516	(47,486)
Endowment at June 30, 2016	$ 8,463,923	61,810,652	81,910,952	152,185,527

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

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, 2016 and 2015, unrestricted net assets reflected a deficiency of $126,013 and $2,376, respectively.

(6) Fair Value of Financial Instruments

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 following table presents financial instruments (underlying investments) that are measured at fair value and at net asset value as of June 30, 2016:

	June 30, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Cash and cash equivalents	$ 6,048,688	—	—	6,048,688
Common stocks	275,251	—	—	275,251
Mutual funds:				
Domestic equities	2,106,659	—	—	2,106,659
International equities	453,331	—	—	453,331
Fixed income	10,085,175	—	—	10,085,175
Municipal bonds	814,233	—	—	814,233
	$ 19,783,337	—	—	19,783,337
Investments measured at net asset value:				
Pace fund				134,739,745
Total investments				$ 154,523,082
Funds held by bond trustees	$ 1,894,355	—	—	1,894,355

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	297,071	—	—	297,071
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
	$ 15,472,061	—	—	15,472,061
Investments measured at net asset value:				
Pace fund				143,609,228
Total investments				$ 159,081,289
Funds held by bond trustees	$ 33,677,998	—	—	33,677,998

(Continued)

There were no transfers between fair value hierarchy levels in 2016 and 2015.

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.

(7) Plant Assets

Plant assets at June 30, 2016 and 2015 consist of the following:

		2016	2015
Land	$	12,680,242	12,659,093
Land improvements		4,735,009	4,735,009
Buildings, leaseholds, and improvements		412,204,128	342,638,967
Construction in progress		56,507,039	86,024,072
Furniture and equipment		82,390,993	79,233,992
Library books		1,024,255	1,024,354
Total		569,541,666	526,315,487
Less accumulated depreciation		(177,500,951)	(171,688,148)
	$	392,040,715	354,627,339

The University capitalized interest of $2,393,980 and $5,041,585 for years ended June 30, 2016 and 2015, respectively. Included in buildings, leaseholds, and improvements at June 30, 2016 and 2015 is $16,226,522 relating to a training facility received in exchange for use of land. See note (11) 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 (9), Long-Term Debt.

During year ended June 30, 2016, the University sold its graduate center facility in White Plains, NY for a sale price of $10.8 million in connection with the University's Pleasantville Master-Plan. This sale resulted in an operating loss on sale of $436,258. As part of the sale, the University initiated a legal defeasance where a $1.6 million portion of the outstanding Dormitory Authority of the State of New York (DASNY) Series 2013A (Tax Exempt) Bonds was placed in escrow in order to pay the bondholders upon their original maturity. The University also funded $397,391 of interest costs (a nonoperating charge) in escrow to sufficiently cover the related interest costs. The defeasance resulted in the University's legal release of the bond obligation and therefore $1.6 million of the DASNY Series 2013A Bonds was extinguished.

(8) Notes Payable

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 4-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.

As of June 30, 2016, the available unused amount under this line of credit was $40,000,000, and therefore the University has no outstanding balance under the line of credit as of June 30, 2016. The University had 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 2016 and 2015, interest and fees on the line of credit amounted to $8,501 and $36,430, respectively.

(9) Long-Term Debt

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

		2016	2015
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 $7,914,606 and $8,220,978 at June 30, 2016 and 2015, respectively	$	93,354,606	98,200,978
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		17,980,000	18,565,000
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 $545,524 and $566,710 at June 30, 2016 and 2015, respectively		85,119,476	85,098,290
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	$	211,379,082	216,789,268

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, 2016 and 2015, $1,189,254 and $1,214,167, respectively, of unexpended funds from these bonds was included in funds held by bond trustees on 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, 2016 and 2015, $150,123 and $142,872, respectively, was included in funds held by bond trustees on the Balance Sheets. 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 2016 for the Series 2013B Bonds was 1.6%. The range of rates in 2016 was 1.5% to 1.8%.

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, 2016 and 2015, $7,154 and $31,641,470, respectively, was included in funds held by bond trustees on the Balance Sheets 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 2016 for the Series 2014B Bonds was 1.0%. The rate in 2016 was 1.0%. At June 30, 2016 and 2015, $547,824 and $679,489, respectively, was included in funds held by bond trustees on the Balance Sheets 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 revenue 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, 2016 and 2015 were $6,969,529 and $4,501,166, respectively. These amounts are net of capitalized interest of $2,393,980 and $5,041,585.

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, 2016 and 2015, the University was in compliance with its financial debt covenant requirements.

(10) 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:					
2017	$ 3,700,000	4,834,501	—	5,044,325	13,578,826
2018	3,885,000	4,651,060	—	5,045,250	13,581,310
2019	4,040,000	4,491,701	—	5,045,250	13,576,951
2020	4,235,000	4,293,312	—	5,046,175	13,574,487
2021	4,415,000	4,117,740	—	5,044,326	13,577,066

(11) 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 revenue, 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, 2016 and 2015, deferred rental revenue of $3,776,784 and $4,720,982, respectively, is included in the Balance Sheets. For each of the years ended June 30, 2016 and 2015, $944,196 was recognized as rental revenue and is included in other sources in the Statements of Activities.

(Continued)

(12) 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, 2016 and 2015 amounted to $8,387,392 and $3,028,636, respectively. During the year ended June 30, 2016, the University has increased the asset retirement obligation by approximately $5.0 million for updated estimates for asbestos removal in certain facility areas.

(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.

The University reports the funded status of its postretirement plans on the Balance Sheets. The following provides a summary of this unfunded plan as of June 30, 2016 and 2015:

	2016	2015
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 70,365,159	86,837,887
Service cost	383,463	539,232
Interest cost	3,111,731	3,486,156
Participants' contributions	642,538	565,043
Amendments	—	(20,256,717)
Actuarial loss	9,082,838	3,192,857
Benefits paid	(4,780,852)	(4,211,676)
Subsidies received	223,367	212,377
Benefit obligation at end of year	79,028,244	70,365,159
Change in plan assets:		
Employer contribution	3,914,947	3,434,256
Plan participants' contributions	642,538	565,043
Benefits paid	(4,780,852)	(4,211,676)
Subsidies received	223,367	212,377
Fair value of plan assets at end of year	—	—
Accrued postretirement health benefits obligation	$ 79,028,244	70,365,159

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:

		2016	2015
Net periodic benefit cost:			
Service cost	$	383,463	539,232
Interest cost		3,111,731	3,486,156
Amortization of prior service credit		(3,185,018)	(633,764)
Amortization of net loss		2,075,435	1,084,721
Total net periodic benefit cost	$	2,385,611	4,476,345

The discount rates for were as follows:

	2016	2015
Benefit obligation weighted average assumptions as of June 30, 2016 and 2015:		
Discount rate	3.70%	4.45%
Benefit cost weighted average assumptions for the years ended June 30, 2016 and 2015:		
Discount rate	4.45%	4.25%

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

		2016	2015
Prior service cost credit	$	—	(20,256,717)
Actuarial net loss		9,082,838	3,192,857
Amortization of prior service credit		3,185,018	633,764
Amortization of net loss		(2,075,435)	(1,084,721)
	$	10,192,421	(17,514,817)

(Continued)

As of June 30, 2016 and 2015, the items not yet recognized as net periodic postretirement benefit cost are as follows:

		2016	2015
Prior service credit	$	(17,071,699)	(20,256,717)
Net loss		29,824,900	22,817,497
	$	12,753,201	2,560,780

The estimated prior service credit and net loss that will be amortized into net periodic benefit cost in 2017 are $3,185,018 and $2,676,688, respectively.

For measurement purposes, an 8.0% (7.5% in 2015) 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, 2016, decreasing to 4.5% in 2023 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 $11,528,291 and $526,627, respectively, in 2016. A 1% decrease in the rate translates to a decrease in the accumulated postretirement benefit obligation and service and interest cost of $9,237,335 and $417,491 respectively, in 2016.

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
2017	$	4,425,720	339,843	4,085,877
2018		4,802,953	380,019	4,422,934
2019		5,120,288	422,302	4,697,986
2020		5,359,192	445,397	4,913,795
2021		3,736,505	—	3,736,505
2022 through 2026		19,835,156	—	19,835,156

(14) 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, 2016 and 2015 amounted to $10,975,619 and $10,611,021, respectively.

(15) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2016 and 2015 are available to support the following areas:

		2016	2015
Instruction	$	31,849,673	33,020,972
Research		1,069,263	742,543
Academic support		22,528,985	24,480,584
Student activities		1,394,283	1,502,106
Institutional support		2,558,265	2,441,574
Capital projects		5,139,982	8,918,224
Scholarships		10,668,229	16,203,806
Contributions receivable		5,090,538	2,426,524
Split-interest agreements		1,054,840	1,088,579
	$	81,354,058	90,824,912

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.

(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 $165,043,420 and $148,561,121 for the years ended June 30, 2016 and 2015, respectively.

(17) 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 June 30, 2016	Summit lease amounts	Total
Year ending June 30:				
2017	$	31,305,136	—	31,305,136
2018		23,693,832	400,898	24,094,730
2019		24,185,996	801,797	24,987,793
2020		24,535,729	801,797	25,337,526
2021		25,012,051	801,797	25,813,848
2022 and thereafter		500,786,051	5,825,819	506,611,870
	$	629,518,795	8,632,108	638,150,903

On August 1, 2016 the University executed a lease agreement for administrative office space (the Summit lease) for an 11 year term. The future annual rentals under the Summit lease have been noted separately in the above table as the lease commenced subsequent to June 30, 2016.

Included in the above are lease commitments for student housing of $544,185,227 through 2045.

Total rental expense for the years ended June 30, 2016 and 2015 was $34,980,954 and $34,093,979, respectively. Included in accounts payable and accrued liabilities is a deferred rent obligation of $19,170,368 and $13,439,452 at June 30, 2016 and 2015, respectively, which represents the effect of straight-lining the total minimum lease payments over the lease terms.

(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 $5,614,857 and $5,722,462 for the years ended June 30, 2016 and 2015, respectively. For purposes of reporting fund-raising expenses, the University includes only those fund-raising costs incurred by its development office.

(19) 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, 2016 (with comparative totals for 2015), 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	$	5,567,662	2,252,751	1,025,925	120,371,063	129,217,401
Research		421,999	170,747	59,317	4,923,200	5,575,263
Academic support		8,132,501	3,290,520	1,138,105	36,970,146	49,531,272
Student services		5,389,447	2,180,643	1,200,126	37,698,910	46,469,126
Institutional support		3,335,414	1,349,554	482,365	50,722,627	55,889,960
Auxiliary enterprises		12,966,488	5,246,416	2,931,612	48,170,486	69,315,002
Total 2016	$	35,813,511	14,490,631	6,837,450	298,856,432	355,998,024
Total 2015	$	35,797,641	12,813,792	4,391,061	290,108,735	343,111,229

(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 2016, the University entered into an agreement to sell its Briarcliff Manor Campus in conjunction with the Pleasantville Master-Plan. The sale is expected to close in December 2016 at a sale price of $17.4 million with an expected gain on sale of approximately $7.4 million in the year ending June 30, 2017. In addition, the University sold its residential facility located at 106 Fulton Ave in New York (106 Fulton) on October 7, 2016 in conjunction with the University's reorganization of its student housing in lower Manhattan for $51.1 million. The 106 Fulton sale will result in a gain on sale of approximately $20.0 million in the year ending June 30, 2017.

In accordance with ASC Subtopic 855-10, *Subsequent Events*, the University evaluated subsequent events after the balance sheet date of June 30, 2016 through November 15, 2016, which was the date the financial statements were issued, and determined that there were no additional matters required to be disclosed.