



PACE UNIVERSITY

Financial Statements

June 30, 2001 and 2000

(With Independent Auditors' Report Thereon)



245 Park Avenue

NY, NY 10022

Independent Auditors' Report

The Board of Trustees

Pace University:

We have audited the accompanying balance sheets of Pace University as of June 30, 2001 and 2000, and the ~~with statements of changes in unrestricted net assets, changes in net assets, and cash flows for the year~~

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Balance Sheets

June 30, 2001 and 2000

| Assets | 2001 | 2000 |
|--|-------------|-------------|
| Cash and cash equivalents | \$ 200,276 | 4,507,462 |
| Student accounts receivable (net of allowance for uncollectible amounts of \$1,479,000 and \$2,270,000 in 2001 and 2000, respectively) | 7,330,233 | 6,345,759 |
| Grants and other receivables | 9,192,248 | 9,461,586 |
| Prepaid expenses and other assets | 5,976,685 | 5,771,779 |
| Contributions receivable, net (note 4) | 2,585,698 | 4,062,886 |
| Investments (notes 3 and 10) | 112,832,913 | 116,626,216 |
| Student accounts receivable (net of allowance for uncollectible amounts of \$1,781,000 and \$1,786,000 in 2001 and 2000, respectively) | 12,618,884 | 12,493,908 |
| Endeavor held by bond trustees (note 7) | 11,073,060 | 13,428,803 |

Statement of Changes in Unrestricted Net Assets

Year ended June 30, 2001

| | <u>Operating</u> | <u>Nonoperating</u> | <u>Total</u> |
|---|--------------------|---------------------|--------------------|
| Revenues: | | | |
| Tuition and fees, net (note 16) | \$ 160,548,634 | — | 160,548,634 |
| State appropriations | 1,310,418 | — | 1,310,418 |
| Contributions | 598,372 | — | 598,372 |
| Investment return (note 3) | 2,602,600 | (4,090,245) | (1,487,645) |
| Investment return on funds held by bond trustees | — | (57,135) | (57,135) |
| Sales and services of auxiliary enterprises | 17,487,186 | — | 17,487,186 |
| Other sources | 3,796,128 | — | 3,796,128 |
| Net assets released from restrictions | 18,194,505 | — | 18,194,505 |
| | <u>204,567,843</u> | <u>(4,147,380)</u> | <u>200,420,463</u> |

Expenses (notes 17 and 19):

| | | | |
|------------------|--------------------|------------------|--------------------|
| Instruction | 86,216,422 | 1,974,870 | 88,191,292 |
| Research | 1,827,851 | 36,813 | 1,864,664 |
| Academic support | 26,982,793 | 1,382,975 | 28,365,768 |
| | <u>115,027,066</u> | <u>3,394,658</u> | <u>118,421,724</u> |

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Statement of Cash Flows

Year ended June 30, 2001

Cash flows from operating activities:

| | |
|---|-----------------|
| Decrease in net assets | \$ (11,808,582) |
| Adjustments to reconcile decrease in net assets to net cash provided by operating activities: | |
| Net depreciation in fair value of investments | 11,883,618 |
| Change in value of split-interest agreements | 101,825 |
| Depreciation | 8,238,549 |
| Amortization | 135,574 |
| Write-off of fixed assets | 485,720 |
| Revenues and losses restricted for permanent investment | (1,108,918) |
| Revenues and losses restricted for permanent investment | 260,228 |

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Notes to Financial Statements

June 30, 2001 and 2000

(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

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Notes to Financial Statements

June 30, 2001 and 2000

(b) Contributions

Contributions included in the accompanying financial statements are reported as revenues in the

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Notes to Financial Statements

June 30, 2001 and 2000

(e) 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 may be reloaned after collection. These funds are ultimately refundable to the Government and are presented in the accompanying balance sheet as a liability.

(f) Split-Interest Agreements

The University's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts and charitable gift annuities for which the University serves as trustee. 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

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Notes to Financial Statements

June 30, 2001 and 2000

The following tabulation summarizes the composition of investments at June 30, 2001 and 2000:

| | 2001 | | 2000 | |
|---------------------------|--------------|------------|------------|------------|
| | Cost | Fair value | Cost | Fair value |
| Cash and cash equivalents | \$ 9,199,387 | 9,232,468 | 8,068,156 | 8,128,004 |
| Common stocks | 31,057,396 | 32,370,977 | 34,101,885 | 40,142,780 |
| Mutual funds – pooled: | | | | |
| Equity | 46,811,397 | 41,410,064 | 31,909,105 | 38,383,747 |
| Fixed income | 13,769,615 | 14,059,121 | 23,900,668 | 22,443,813 |

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June 30, 2001 and 2000

(4) Contributions Receivable

Unconditional promises to give are reported in the financial statements as contributions receivable and as revenue of the appropriate net asset class. Contributions receivable due more than one year from the date of the financial statements are recorded net of a discount to reflect the present value of future cash flows. Contributions receivable consist of the following at June 30, 2001 and 2000:

2001

2000

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Notes to Financial Statements

June 30, 2001 and 2000

(7) Long-Term Debt

Long-term debt at June 30, 2001 and 2000 consists of the following:

| | 2001 | 2000 |
|--|---------------|------------|
| Long-term leases of the Dormitory Authority of the State of New York (a): | | |
| Revenue Bonds, Pace University issue, \$26,075,000, Series 2000, due serially to 2020 at interest rates ranging from 4.75% to 5.88% per annum, net of unamortized original issue premium of \$263,888 and \$273,312, at June 30, 2001 and 2000, respectively | \$ 26,338,888 | 26,348,312 |
| Revenue Bonds, Pace University issue, \$60,000,000, Series 1997, due serially to 2026 at interest rates ranging from 5% to 5.75% per annum, net of unamortized original issue discount of \$686,677 and \$714,140 at June 30, 2001 and 2000, respectively | 56,072,227 | 57,020,860 |

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June 30, 2001 and 2000

campus; and retirement of the remaining principal outstanding on the Series 1985 Revenue Bonds. The Series 1997 Revenue Bonds are secured by mortgages on certain of the University's

revenues limited in each year to the greatest amount payable by the Authority in any bond year

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Notes to Financial Statements

June 30, 2001 and 2000

Financial statement table with multiple rows and columns, containing significant redacted areas (black bars) and some illegible text. The table structure is obscured by the redactions.

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Notes to Financial Statements

June 30, 2001 and 2000

(11) Postretirement Benefits Other Than Pensions

The University sponsors a plan to provide certain health care and life insurance benefits for 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.

Information with respect to this unfunded plan as of June 30, 2001 and 2000 and for the year ended June 30, 2001 is as follows:

| | 2001 | 2000 |
|---|---------------|------------|
| Benefit obligation at beginning of year | \$ 33,777,650 | 35,416,029 |
| Service cost | 1,070,775 | 906,248 |
| Interest cost | 2,929,672 | 2,083,185 |
| Benefits paid | (1,268,590) | (806,106) |

Notes to Financial Statements

June 30, 2001 and 2000

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 8%.

During 2001, the plan was amended to reflect an increase in the retail prescription drug copay from \$5 to \$10 and the elimination of postretirement welfare benefit coverage for employees hired after

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(14) Self-Insurance

Effective January 1, 1993, the University established a self-insurance plan for employee medical benefits, exclusive of those benefits provided by Health Maintenance Organizations (HMO's). Under

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(18) Fair Value of Financial Instruments

The carrying amount of cash, student accounts receivable and grants and other receivables, accounts payable and accrued liabilities, and notes payable approximates fair value because of the short maturity of these financial instruments. The fair value of investments and contributions are disclosed in notes 3

and 4, respectively.

A reasonable estimate of the fair value of loans receivable from students under government loan

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June 30, 2001 and 2000

(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.

The action pending, at June 30, 2000, in New York State Supreme Court, Westchester County, commenced by the Sisters of Divine Compassion of the State of New York (the Religious Order) was amicably resolved on February 14, 2001. The resolution consisted of an exchange of real property between the parties in which the University purchased land previously leased from the Religious Order. Total consideration paid to the Religious Order for acquisition of this property amounted to \$3,721,646.

(21) Subsequent Events

As a result of the September 11, 2001 attack on the World Trade Center, the leased space and all equipment, furniture, and fixtures where the University's World Trade Institute operated were totally