



PACE UNIVERSITY

Financial Statements

June 30, 2002 and 2001

(With Independent Auditors' Report Thereon)



345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Trustees
Pace University:

For the years ended 2002 and 2001 and

PACE UNIVERSITY

Balance Sheets

June 30, 2002 and 2001

Assets	<u>2002</u>	<u>2001</u>
Cash and cash equivalents	\$ 245,813	200,276
Student accounts receivable (net of allowance for doubtful accounts of \$1,479,000 in 2002 and 2001)	6,215,715	7,330,233
Grants and other receivables (note 21)	16,435,514	9,192,248
	5,959,966	5,976,685

PACE UNIVERSITY

Statements of Changes in Unrestricted Net Assets

Years ended June 30, 2002 and 2001

	Operating	Nonoperating	Total	
			2002	2001
Revenues:				
Tuition and fees, net (note 16)	\$ 166,293,214	—	166,293,214	160,548,634
State appropriations	1,235,981	—	1,235,981	1,310,418
Contributions (note 17)	943,646	—	943,646	598,372
Investment return (note 3)	1,356,291	(3,127,121)	(1,770,830)	(1,487,645)
Investment return on funds held by bond trustees	—	344,478	344,478	(57,135)
Sales and services of auxiliary enterprises	16,077,684	—	16,077,684	17,487,186
Other sources	4,523,650	—	4,523,650	3,796,128
Net assets released from restrictions	20,895,328	—	20,895,328	18,194,505

	211,325,704	(2,782,643)	208,543,151	200,390,463
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Expenses (notes 17 and 19):				
Instruction	90,602,574	2,110,921	92,713,495	88,191,292

PACE UNIVERSITY
Statements of Changes in Net Assets
Years ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Increase (decrease) in unrestricted net assets	\$ 149,389	(3,917,816)

Changes in temporarily restricted net assets:

Government grants and contracts

8,402,991

7,489,906

Investment return (note 3)

(8,045,578)

(7,217,200)

PACE UNIVERSITY
Statements of Cash Flows
Years ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
	\$ (8,805,672)	(11,808,582)

Adjustments to reconcile decrease in net assets to net cash
provided by operating activities:

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Notes to Financial Statements
Type 30, 2002 and 2001

Pace University (the University) is an independent, non-profit, educational organization.

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Notes to Financial Statements
June 30, 2002 and 2001

recorded at their estimated fair value. The University reports contributions of plant assets as increases in unrestricted net assets unless the donor places restrictions on their use. Contributions to

uncollectible contributions based on management's judgment, past collection experience, and other

relevant factors. Amortization of the discount is recorded as additional contribution revenue in

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Notes to Financial Statements
June 30, 2002 and 2001

depreciation. Fixed asset disposals resulting from the events of September 11, 2001 are recorded in accordance with generally accepted accounting principles.

(h) Accounting Estimates

Accounting estimates are prepared in conformity with generally accepted accounting principles

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Notes to Financial Statements
June 30, 2002 and 2001

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Notes to Financial Statements

Unconditional promises to give are reported in the financial statements as follows:

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Notes to Financial Statements

June 30, 2002 and 2001

month LIBOR plus 0.75%. At June 30, 2002, no amounts were outstanding under this line of credit.

At June 30, 2001, the University had a \$40,000,000 revolving line of credit which expired on December 31, 2001. At June 30, 2001, \$20,000,000 was outstanding under the line of credit at an average interest rate of 4.7%.

The above lines of credit are secured by certain investments of the University.

Interest incurred for the years ended June 30, 2002 and 2001 was \$806,726 and \$479,068, of which \$769,760 and \$282,212 has been capitalized.

(7) Long-Term Debt

Long-term debt at June 30, 2002 and 2001 consists of the following:

Long-term leases of the Dormitory Authority of the State of New York (DASNY) (a):

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Notes to Financial Statements
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(2) The Series 2000 Revenue Bonds payable to the Dormitory Authority of the State of New York

PACE UNIVERSITY

June 30, 2002 and 2001

(8) Debt Service – Long-Term Debt

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

	<u>Long-term leases to DASNY</u>	<u>Bonds payable to HUD</u>	<u>Total</u>
Year ending:			
June 30, 2003:			
Principal	\$ 1,560,000	100,000	1,660,000
Interest, reserves, and fees	<u>4,671,868</u>	<u>55,227</u>	<u>4,727,095</u>
	<u>\$ 6,231,868</u>	<u>155,227</u>	<u>6,387,095</u>
June 30, 2004:			
Principal	\$ 1,640,000	119,000	1,759,000
Interest, reserves, and fees	<u>4,593,868</u>	<u>52,050</u>	<u>4,645,918</u>
	<u>\$ 6,233,868</u>	<u>171,050</u>	<u>6,404,918</u>
June 30, 2005:			
Principal	\$ 1,715,000	93,000	1,808,000
Interest, reserves, and fees	<u>4,511,868</u>	<u>47,665</u>	<u>4,559,533</u>
	<u>\$ 6,226,868</u>	<u>140,665</u>	<u>6,367,533</u>
June 30, 2006:			
Principal	\$ 1,805,000	94,000	1,899,000
Interest, reserves, and fees	<u>4,426,118</u>	<u>44,765</u>	<u>4,470,883</u>
	<u>\$ 6,231,118</u>	<u>138,765</u>	<u>6,369,883</u>

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Notes to Financial Statements
June 30, 2002 and 2001

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 set forth in the

Notes to Financial Statements
June 30, 2002 and 2001

Information with respect to this unfunded plan as of and for the years ended June 30, 2002 and 2001 is as follows:

Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 44,233,205	33,777,650
Service cost	1,191,501	1,070,775
Interest cost	3,005,001	2,929,672
Benefits paid	(1,631,029)	(1,268,590)
Plan amendments	—	(1,193,755)
Actuarial (gain) loss	(1,939,814)	8,917,453
Benefit obligation at end of year	\$ <u>44,858,864</u>	<u>44,233,205</u>
Funded status	\$ (44,858,864)	(44,233,205)
Prior service cost	(2,425,336)	(2,682,656)
Unrecognized net gain	<u>(2,458,586)</u>	<u>(605,687)</u>
Accrued postretirement benefit obligation	\$ <u>(49,742,786)</u>	<u>(47,521,548)</u>

The net periodic postretirement benefit expense for 2002 and 2001 includes the following components:

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The first amendment reduced the medical plan liabilities by \$1,200,000 and the expense by \$150,000. The expense reduction included a prior service cost amortization component of \$154,000 that will reduce the postretirement benefit expense over the next 12 years. The second amendment has no impact on the accumulated benefit obligation since it only impacts future hires.

(12) Faculty Retirement Incentive Plan



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(15) Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30, 2002 and 2001 are principally available to support the Lubin School of Business and academic chairs. 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 at June 30, 2002 and 2001 are restricted to investment in perpetuity, with investment returns principally available to support the Lubin School of Business and academic chairs.

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Notes to Financial Statements
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(10) Allocation of Expenses

The University allocates operation and maintenance of plant, depreciation, and interest expenses based upon building square footage and the use of each facility. For the year ended June 30, 2002 (with comparative totals for 2001), the following allocation of expenses was included in the accompanying statements of changes in unrestricted net assets:

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Notes to Financial Statements
June 30, 2002 and 2001

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