

Financial Statements

June 30, 2001 and 2000

(With Independent Auditors' Report Thereon)



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Independent Auditors' Report
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Pace University:
We have audited the accompanying balance sheets of Pace University as of June 30, 2001 and 2000, and the
have addited the accompanying balance sheets of face chivelenty as of balance so, 2007 and 2009, and the
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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,	Ψ	200,270	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
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

amount of \$1,781,000 and \$1,786,000 in 2001 and 2000, respectively)
Frinds held by hand trustees (note 7)

12,618,884 1/L073.060_ 12,493,908 13 428 803

Statement of Changes in Unrestricted Net Assets

Year ended June 30, 2001

	-	Operating	Nonoperating	Total
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
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 Expenses (notes 17 and 19):
 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

Statement of Changes in Net Assets

Year ended June 30, 2001

	Decrease in unrestricted net assets		\$ (3,917,816)
- _	Changes in temporarily restricted net assets:		
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Statement of Cash Flows

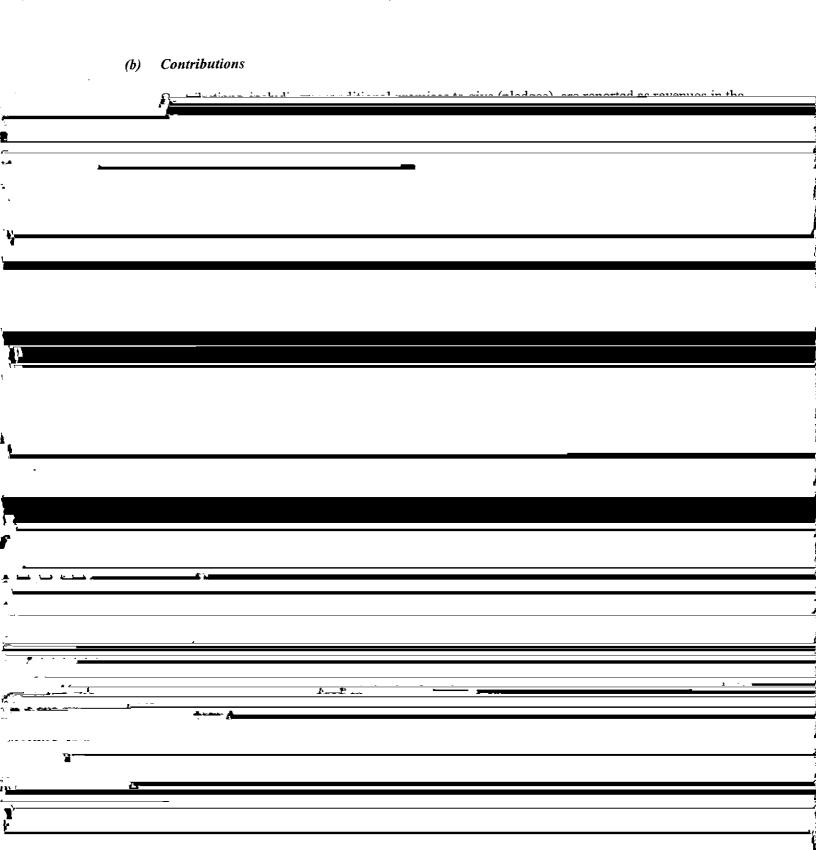
Year ended June 30, 2001

Cach f	flows from operating activities:		
	crease in net assets	\$ (11,808,582)	1
		Ψ (11,000,502)	,
Adj	justments to reconcile decrease in net assets to net cash		
Ì	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)	
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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
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Notes to Financial Statements



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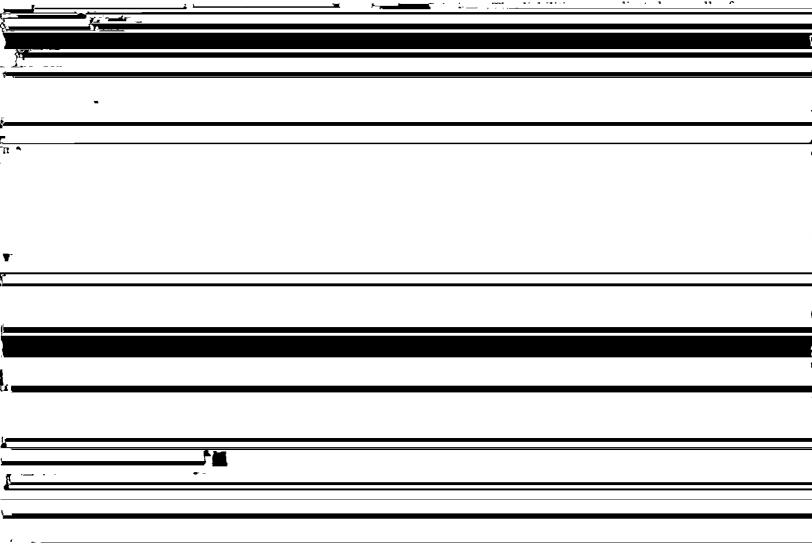
June 30, 2001 and 2000

(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



Notes to Financial Statements

June 30, 2001 and 2000

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

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		•	Cost	Fair value	Cost	Fair value	
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	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
		Julie 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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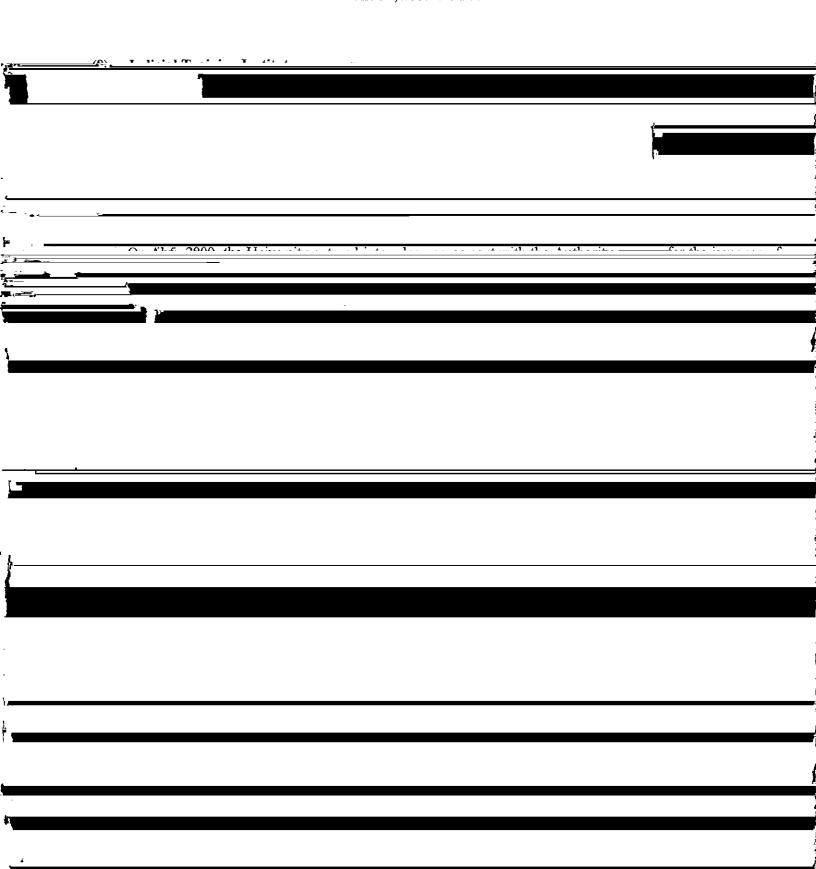
Notes to Financial Statements

	(7)	Long-Term Debt				
		Long-term debt at_Inne 30, 2001 and 2000 consists of the follow	ing:			
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				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 Coriolly to 2029 at interest rates ranging from 4.75% to 5.88% per				
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_	<u> </u>	1				
_	2_	annum, net of unamortized original issue premium of \$263,888 and \$273,312, at June 30, 2001 and 2000, respectively Revenue Bonds, Pace University issue, \$60,000,000, Series 1997, due serially to 2026 at interest rates ranging from 5% to 5.75%	\$	26,338,888	26,348,312	
	2-	and \$273,312, at June 30, 2001 and 2000, respectively Revenue Bonds, Pace University issue, \$60,000,000, Series 1997,	\$	26,338,888	26,348,312	
	4	and \$273,312, at June 30, 2001 and 2000, respectively 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	\$			

Notes to Financial Statements

	1 4' and of the manifolia uniquinal outstanding on the Coming 1095 Devenue
	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
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	\$ <u></u>
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, <u>,, — , ,</u>	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



Notes to Financial Statements

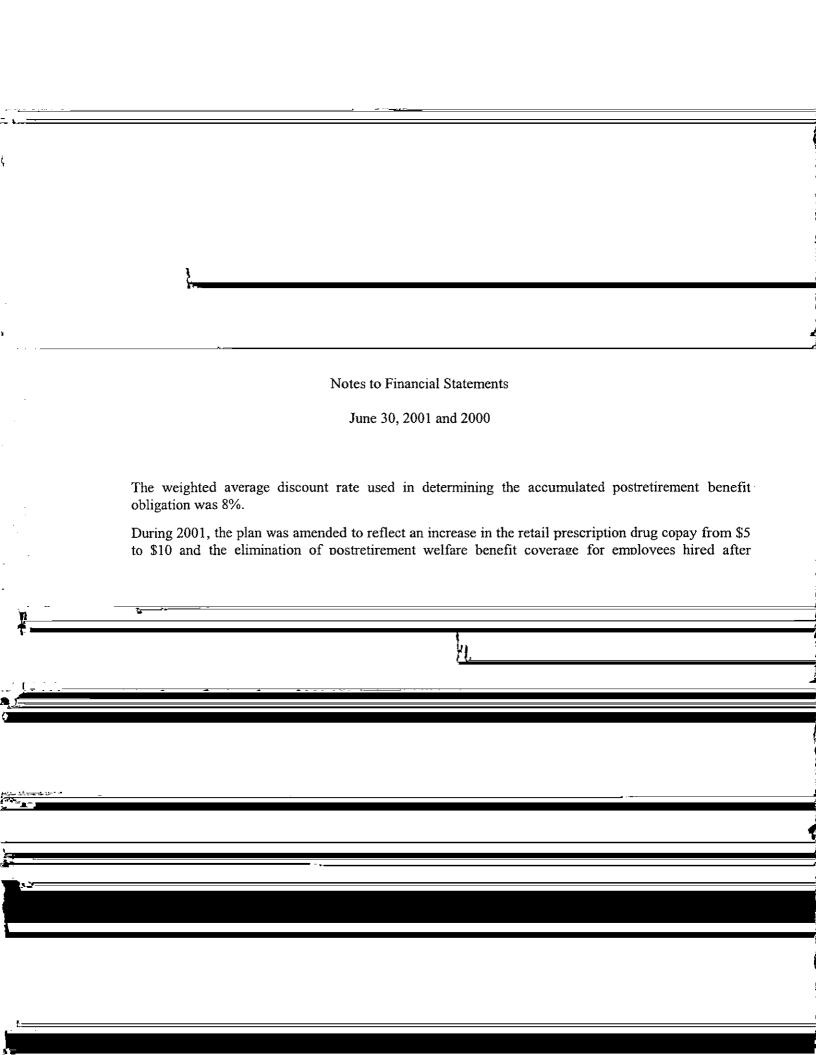
June 30, 2001 and 2000

(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	
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Benefit obligation at beginning of ye	ear \$	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)	
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Notes to Financial Statements

(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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Notes to Financial Statements

June 30, 2001 and 2000

(18)	Fair	Value	of Fin	ancial	Instru	ments
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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

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	and 4, respectively.
3	A reasonable estimate of the fair value of loans receivable from students under government loan
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Notes to Financial Statements

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