PACE UNIVERSITY

Financial Statements

June 30, 2024 and 2023

(With Independent Auditors’ Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
Pace University:

Opinion

We have audited the financial statements of Pace University (the University), which comprise the balance sheets as of June 30, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2024 and 2023, and the results of its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

New York, New York
November 18, 2024

PACE UNIVERSITY

Balance Sheets

June 30, 2024 and 2023

Assets		2024	2023
Cash and cash equivalents	$	5,905,079	6,301,536
Student accounts receivable, net (net of allowance for credit losses of $5,000,000 and $3,400,000, respectively)		10,256,979	9,556,744
Grants and other receivables		23,622,017	13,006,965
Prepaid expenses and other assets		6,621,799	6,252,919
Contributions receivable, net (note 4)		28,464,211	31,732,005
Investments – endowment and other (notes 5 and 6)		267,057,577	236,967,839
Investments – designated for construction (note 7)		1,605,236	57,858,062
Student loans receivable, net (net of allowance for credit losses of $861,316 and $819,123, respectively)		2,572,431	3,507,666
Funds held by bond trustees, at fair value (note 11)		1,688,563	1,650,467
Right-of-use assets (notes 2(l) and 17)		510,405,571	433,537,083
Plant assets, net (note 9)		548,712,738	499,685,923
Total assets	$	1,406,912,201	1,300,057,209
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	51,244,507	64,193,971
Deferred revenues and deposits		21,759,874	24,702,230
Long-term debt (notes 11 and 12)		168,909,271	175,119,850
Operating lease liabilities (notes 2(l) and 17)		612,509,552	523,111,466
Asset retirement obligations		3,213,389	7,257,719
Accrued postretirement health benefits obligation (note 13)		34,974,612	36,670,872
U.S. government grants refundable		5,368,729	6,460,423
Total liabilities		897,979,934	837,516,531
Net assets (note 15):			
Net assets without donor restrictions:			
General		248,001,313	230,639,137
Accrued postretirement health benefits obligation		(34,974,612)	(36,670,872)
Total net assets without donor restrictions		213,026,701	193,968,265
Net assets with donor restrictions:			
Purpose and/or time restricted		159,476,971	135,553,889
Endowment fund corpus		136,428,595	133,018,524
Total net assets with donor restrictions		295,905,566	268,572,413
Total net assets		508,932,267	462,540,678
Total liabilities and net assets	$	1,406,912,201	1,300,057,209

See accompanying notes to financial statements.

PACE UNIVERSITY

Statements of Activities

Years ended June 30, 2024 and 2023

	2024			2023		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenues:						
Tuition and fees, net (note 16)	$ 334,116,764	—	334,116,764	315,425,891	—	315,425,891
Government grants and contracts	22,255,555	—	22,255,555	14,962,404	—	14,962,404
State appropriations	866,749	—	866,749	917,726	—	917,726
Contributions	4,694,669	10,804,917	15,499,586	6,084,676	31,531,462	37,616,138
Investment return appropriated	4,134,900	8,443,929	12,578,829	3,344,902	7,141,171	10,486,073
Sales and services of auxiliary enterprises	76,552,895	—	76,552,895	73,707,134	—	73,707,134
Other sources	5,592,748	—	5,592,748	6,630,986	—	6,630,986
Net assets released from restrictions	17,989,974	(17,989,974)	—	13,719,368	(13,719,368)	—
Total revenues	466,204,254	1,258,872	467,463,126	434,793,087	24,953,265	459,746,352
Expenses:						
Instruction	157,038,579	—	157,038,579	147,118,842	—	147,118,842
Research	3,539,919	—	3,539,919	4,351,188	—	4,351,188
Academic support	67,560,371	—	67,560,371	63,780,464	—	63,780,464
Student services	46,454,237	—	46,454,237	44,796,767	—	44,796,767
Institutional support	78,132,081	—	78,132,081	73,146,321	—	73,146,321
Auxiliary enterprises	95,829,709	—	95,829,709	82,257,773	—	82,257,773
Total expenses	448,554,896	—	448,554,896	415,451,355	—	415,451,355
Excess of operating revenues over expenses	17,649,358	1,258,872	18,908,230	19,341,732	24,953,265	44,294,997
Nonoperating activities:						
Investment return, net	1,582,621	25,903,086	27,485,707	1,124,622	18,699,846	19,824,468
Changes in postretirement health benefits obligation other than net periodic cost	1,078,798	—	1,078,798	580,304	—	580,304
Net periodic benefit costs other than service costs	(1,462,053)	—	(1,462,053)	935,615	—	935,615
Other	209,712	171,195	380,907	119,095	187,388	306,483
Nonoperating activities, net	1,409,078	26,074,281	27,483,359	2,759,636	18,887,234	21,646,870
Changes in net assets	19,058,436	27,333,153	46,391,589	22,101,368	43,840,499	65,941,867
Net assets at beginning of year	193,968,265	268,572,413	462,540,678	171,866,897	224,731,914	396,598,811
Net assets at end of year	$ 213,026,701	295,905,566	508,932,267	193,968,265	268,572,413	462,540,678

See accompanying notes to financial statements.

PACE UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2024 and 2023

		2024	2023
Cash flows from operating activities:			
Changes in net assets	$	46,391,589	65,941,867
Adjustments to reconcile changes in net assets to net cash provided by operating activities:			
Net appreciation in fair value of investments		(34,177,265)	(25,616,305)
Net depreciation in investments designated for construction		144,577	220,584
Net appreciation in fair value in split-interest agreement investments		(157,613)	(125,077)
Investment return on funds held by bond trustee		(209,712)	(119,095)
Change in value of split-interest agreement liabilities		(13,872)	(51,134)
Postretirement-related changes other than net periodic pension cost		(1,078,798)	(580,304)
Provision for doubtful student loans receivable		42,193	(1,517,078)
Depreciation		20,377,454	19,142,400
Amortization of asset retirement obligation		414,230	386,376
Amortization of bond premium, net of bond discount accretion		(285,185)	(285,188)
Amortization of bond issuance costs		144,606	144,608
Reduction in the carrying amount of the right-of-use asset-operating leases		20,064,230	19,361,019
Revenues restricted for permanent investment and capital		(3,734,464)	(5,656,154)
Cash received from lease incentives		3,010,713	9,991,439
Present value adjustment and allowance for uncollectible amounts for contribution receivable		(877,329)	3,325,379
Changes in operating assets and liabilities:			
Student accounts receivable		(700,235)	2,995,855
Grants and other receivables		(13,625,765)	(10,100,256)
Prepaid expenses and other assets		(368,880)	(1,765,528)
Contributions receivable		5,299,559	(24,374,268)
Noncapital accounts payable and accrued liabilities		(3,981,924)	(910,594)
Deferred revenues and deposits		(2,942,356)	8,109,014
Operating lease liabilities		(7,534,632)	(7,633,717)
Accrued postretirement benefit obligation		(617,462)	(3,059,537)
U.S. government grants refundable		(1,091,694)	(982,924)
Net cash provided by operating activities		24,491,965	46,841,382
Cash flows from investing activities:			
Repayment of student loans, net of issuance		893,042	2,452,770
Purchase of plant assets		(73,862,829)	(42,159,899)
Decrease in capital accounts payable		(8,953,668)	—
Purchase of investments		(72,748,692)	(119,116,490)
Proceeds from sale of investments		133,102,081	112,702,042
Net cash used in investing activities		(21,570,066)	(46,121,577)
Cash flows from financing activities:			
Contributions received for capital projects and permanent investments		3,734,464	5,656,154
Net increase in contribution receivable for permanent investments and capital projects		(1,154,436)	(2,753,779)
Repayment of indebtedness		(6,070,000)	(5,785,000)
Increase (decrease) in funds held by bond trustees		171,616	(2,194)
Net cash used in financing activities		(3,318,356)	(2,884,819)
Net decrease in cash and cash equivalents		(396,457)	(2,165,014)
Cash and cash equivalents at beginning of year		6,301,536	8,466,550
Cash and cash equivalents at end of year	$	5,905,079	6,301,536
Supplemental disclosures:			
Interest paid	$	7,614,638	7,413,830
Right-of-use asset obtained in exchange for operating lease liabilities at commencement		96,932,718	124,508,562
Lease incentives included in operating lease right-of-use assets		—	(1,749,622)
Increase in capital accounts payable		—	16,856,994
Settlement of asset retirement obligation		4,458,560	—

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 (IRC).

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 students, 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 mix between remote and in-person learning based on current best practice in deploying its learning programs as well as any potential governmental directive that may be required. 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. In addition, the University offers JD and LLM degrees through the Pace University Elisabeth Haub School of Law.

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, 2024 and 2023. 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 generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. Net assets are presented either as net assets without donor restrictions or as net assets with donor restrictions.

Net assets without donor restrictions are available to support the University's operations. The only limits on the use of these net assets are the broad limits resulting in the nature of the University, the environment in which it operates, the purposes specified in the University's corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are restricted by a donor for use for a particular purpose or in a future year. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. When a donor's restriction is satisfied, the expiration of the restriction is reported in the financial statements by reclassifying the net asset from net assets with donor restrictions to net assets without donor restrictions. Donor-restricted contributions (including government grants and contracts) that are received within the same reporting period of when the restrictions are satisfied are recognized as net assets without donor restrictions. Other donor-imposed restrictions are perpetual in nature; the University must continue to use these resources in accordance with the donor's instructions. All revenues and net gains are reported in net assets without donor restrictions in the statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses are reported as decreases in net assets without donor restrictions.

(b) Accounting Estimates

The preparation of financial statements in conformity with U.S. 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. On an ongoing basis, the University's management evaluates the estimates and assumptions based on historical experiences and various other factors and circumstances. University management believes that the estimates and assumptions are reasonable; however, the actual results could differ from those estimates.

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.

Management has evaluated the University's ability to continue as a going concern and has determined that there are no conditions or events that raise substantial doubt about the University's ability to continue as a going concern for a period of one year after the date that these financial statements were issued.

(c) Cash and Cash Equivalents

The University considers all highly liquid instruments with original 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 or for the purpose of investments designated for construction and funds held by bond trustees.

The University maintains cash balances at various financial institutions located in the New York Metropolitan area and deposit accounts at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per account. The balances occasionally exceed those limits. Cash equivalents, other securities, and limited amounts of cash held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to $500,000 of protection for each brokerage account, with a limit of $250,000 for claims of uninvested cash balances. The SIPC insurance does not protect against market losses on investments.

(d) Student Tuition and Fees

Revenue from student education, residence, and dining services is determined based on published rates and is billed and reflected net of reductions from institutional student aid, which may be funded by endowment funds or other institutional resources. Such revenue is recognized as the services are provided over the academic year, which generally aligns with the University's fiscal year. Payments for student services received prior to the commencement of each academic term are reported as student deposits to the extent services will be rendered in the following fiscal year.

(e) Student Accounts Receivable

Student accounts receivable are unsecured noninterest-bearing amounts from students for their tuition, housing, and fees due to the University. Management has established an allowance for credit losses for outstanding balances deemed to be uncollectible.

The allowance for credit losses is management's best estimate of the expected loss based on historical collection experience, current conditions, and reasonable and supportable forecasts. Management regularly assesses the collectability of student tuition and fees receivable. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. Revisions in the allowance for credit losses estimate are recorded as adjustments to the provision for bad debts.

(f) Government Grants and Contracts

Government grants and contracts are generally considered conditional contributions, as the agreements generally include a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The presence of both a barrier and a right of return or right of release indicates that what a recipient promises to give are not recognized until they become unconditional, that is, when the barrier(s) in the agreement are overcome. Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget's audit requirements for federal awards and review by grantor agencies. The review could result in a disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the University's management believes that costs that may ultimately be disallowed, if any, would not materially affect the financial position of the University.

(g) Contributions

Contributions, including unconditional promises to give (pledges), are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied time restriction to be used in the year the payment is received and therefore are reported as restricted. Conditional promises are not recognized until they become unconditional. A contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of promisor's obligation to transfer assets. When such barriers are overcome and therefore a contribution has been deemed unconditional, the University considers whether the contribution is restricted on the basis of the specific donor-imposed restriction.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions of long-lived assets and their purchase or construction are reported in net assets with donor restrictions and are released to net assets without donor restrictions when the assets are placed in service. Contributions with restrictions whose donor-imposed restrictions were met during the fiscal year, including contributions for assets placed in service, are recorded in net assets without donor restrictions. Contributions that are expected to be collected in less than a year are reported at net realizable value. Contributions that are expected to be collected in more than one year are reported at fair value at the date of promise. The fair value is computed using present value techniques applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue in accordance with the donor-imposed restrictions, if any. The allowance for uncollectible contributions is determined based on management's evaluation of the collectability of individual promises and historical trends. The allowance is adjusted for promises to give that remain uncollectible more than a year after their due date.

(h) Prepaid Expenses and Other Assets

Prepaid expenses and other assets are primarily payments made by the University in advance of services to be provided. They consist of insurance premiums, as well as various subscription payments made by the University. These assets are amortized over the period associated within the underlying agreement.

(i) Investments – Endowment and Other

Endowment investments are reported at fair value with changes in fair value reported as investment return in the statements of activities. Purchases and sales of endowment investments are reported on the trade date. Endowment investments are from the following resources:

- Donor-restricted perpetual endowments are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support the University's activities (no purpose restrictions).
- Purpose-restricted endowments are contributions restricted by donors to investment in perpetuity with investment income for a purpose specified by the donor. The donor may either require the investment income and appreciation to be reinvested in the fund or may permit the University to spend those amounts in accordance with the donor's restricted purpose.

Board-designated endowments are resources set aside by the Board of Trustees (the Board) for an indeterminate period to operate in a manner similar to a donor's restricted perpetual endowment. Because a board-designated endowment results from an internal designation, it can be spent upon action of the Board.

Split-interest agreements are included in investments – endowment and other in the balance sheets but are considered nonpooled (nonendowment) investments.

The investment and spending policies for the University's endowment are discussed in note 5.

The University maintains a significant portion of its endowment 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 Resources, LLC, which includes asset allocation within approved ranges.

(j) Investments – Designated for Construction

Investments designated for construction are recorded at fair value and are board-designated for campus upgrades and construction, primarily for, but not limited to, the NYC Campus Master Site Plan.

(Continued)

(k) Student Loans Receivable

Funds provided by the U.S. government under the Federal Perkins and Nursing Student Loan programs are loaned to qualified students. Such amounts may be loaned again after collection. These funds are ultimately refundable to the government and, therefore, are also presented in the balance sheets as a liability. Effective June 30, 2018, the Federal Perkins Program was terminated by the U.S. government. As of June 30, 2024, the University has refunded $8,795,677 of the Federal Perkins Program to the U.S. government due to the termination of the Federal Perkins Program.

(l) Operating Lease Accounting

The University recognizes the rights and obligations arising from lease contracts assets and liabilities on the balance sheet. When an arrangement at its inception is determined to be a lease, the University determines if it is an operating lease or a finance lease. For operating leases, at lease commencement, the University records a ROU asset and corresponding lease liability. ROU assets represent the University’s right to control the use of the leased asset during the lease and are recognized in an amount equal to the lease liability. Lease liabilities represent the present value of the future lease payments over the expected lease term, which includes options to extend or terminate the lease when it is reasonably certain those options will be exercised. The present value of the lease liability is determined using the University’s incremental borrowing rate at lease inception. Over the lease term, the University uses the effective interest rate method to account for the lease liability as lease payments are made and the ROU asset is amortized into expenses in a manner that results in a straight-line expense recognition in the statements of activities. A ROU asset and lease liability are not recognized for leases with an initial term of 12 months or less. As of June 30, 2024 and 2023, the University has determined that all of its leases identified under these criteria are operating leases.

Rent incentives in the initial years of certain leases give rise to deferred rent are recorded net of ROU assets on the balance sheets reflect the cumulative excess of rental expense on a straight-line basis over cash payments.

(m) Plant Assets

Plant assets are reported at cost if purchased and at fair value at the date of donation if donated except for library books and art collections, which are recorded at a nominal amount of $1 per volume. All land and buildings are capitalized, and equipment is capitalized if it has a cost of $2,000 or more and a useful life when acquired of more than one year. Repairs and maintenance costs that do not significantly increase the useful life of the asset are expensed as incurred.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, as follows:

Building and improvements	5 to 70 Years
Leasehold improvements	Shorter of lease term or asset life
Furnishings and equipment	3 to 20 Years

(n) Split-Interest Agreements

The University conducts a deferred-giving program in which donors make an irrevocable transfer of assets primarily through charitable remainder trusts (trust assets) and gift annuity contracts. In exchange, the donors (or a beneficiary named by the donors) receive periodic payments for their lifetime. Assets associated with such split-interest agreements are reported at fair value (of the underlying trust) and are included in investments – endowment and other in the balance sheets. The value of the trust assets is adjusted annually for changes in its estimated fair value.

The periodic payments to the individuals are fixed amounts (annuities) or are a percentage of the fair value of the trust assets. Contribution revenues are recognized when trusts (or annuity agreements) are established, after recording liabilities for the present value of the estimated future payments to be made to the beneficiaries. The liabilities are adjusted annually for changes in the value of assets, accretion of discount, and other changes in the estimated future benefits. These adjustments are reported in other sources under nonoperating activities in the statements of activities. Investment returns from the trust assets are reported as increases in net assets with donor restrictions.

(o) Asset Retirement Obligations

Asset retirement obligations (ARO) arise primarily from regulations that specify how to dispose of asbestos if long-lived assets are demolished or undergo major renovations or repairs. ARO is measured and recorded at fair value. Upon initial recognition of an ARO liability, the University capitalizes that cost as part of the cost basis of the related long-lived assets and depreciates the asset over its useful life. Changes in the ARO due to revised estimates of the amount or timing of cash flows required to settle the future liability are recognized by increasing or decreasing the ARO liability and the related long-lived asset. Changes due solely to the passage of time (accretion of the discounted liability) are recognized as increases in the carrying amount of the liability and as an expense in the statements of activities.

(p) Operations, Expense Recognition, and Allocation

The statements 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, investment return on funds held by bond trustees, and changes in postretirement health benefits obligation, including components of net periodic benefit costs other than the service cost component.

The cost of providing the University's programs and other activities is summarized on the functional basis in the statements of activities, and these functional classifications have been reconciled by their natural expense classifications in note 19. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied as follows:

- Salary and wages, benefits, and payroll taxes are allocated based on the primary job description and work assignment of personnel.
- Operations of plant and maintenance, depreciation, amortization, and interest are allocated on a square-foot basis dependent on the programs and supporting activities occupying the space.

(Continued)

The basis of allocation is reviewed annually or when new space or programs are added.

Fundraising costs are expensed as incurred, even though they may result in contributions received in the future years. The University generally does not conduct its fundraising activities in conjunction with its other activities. Advertising costs are also expensed as incurred.

(q) Fair Value

The University reports fair value measures of its financial assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by U.S. GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset's or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The University applies the provisions of Accounting Standards Codification (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.

The three levels of input used to measure fair value are as follows:

- *Level 1:* Quoted prices for identical assets or liabilities in active markets to which the University has access at the measurement date
- *Level 2:* Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
  - Quoted prices for similar assets or liabilities in active markets
  - Quoted prices for identical or similar assets in markets that are not active
  - Observable inputs other than quoted prices for the asset or liability (e.g., interest rates and yield curves)
  - Inputs derived principally from, or corroborated by, observable market data by correlation or other means.
- *Level 3:* Unobservable inputs for the asset and liability used to measure the fair value if observable inputs are not available.

When available, the University measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, Level 1 inputs may not be available for all of the assets and liabilities that the University is required to measure at fair value (e.g., unconditional promises to give and in-kind contributions).

The primary use of fair value measures in the University's financial statements is noncash gifts, including gifts of investments and unconditional promises, endowment investments and other, and investments designated for construction.

(Continued)

(r) Tax Status

The University is principally exempt from federal income taxation under Section 501(c)(3) of the IRC, though is subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). There were no tax provisions for fiscal years ended 2024 and 2023.

(s) Related Parties

Members of the Board of Trustees, officers, and employees are subject to the University's conflict of interest policies, under which business and financial relationships must be disclosed and are subject to review and approval. Disclosures about the University's related-party transactions, including with affiliated institutions, are described in notes 1 and 5.

(t) Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, which requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The ASU is intended to improve financial reporting by requiring earlier recognition of credit losses on certain financial assets. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The University adopted the provisions of the ASU in fiscal year 2024. The adoption did not have a material impact on the University's financial statements at June 30, 2024. The University adopted the provisions of the ASU using a prospective transition approach. As such, the University is not required to adjust comparative periods or provide comparative period disclosures.

(3) Liquidity and Availability

The University's financial assets available within one year of June 30 for general expenditures, including operating expenses, principal and interest on debt, and capital expenditure not financed with debt, are as follows:

	2024	2023
Total assets	$ 1,406,912,201	1,300,057,209
Less:		
Cash and cash equivalents not available within one year	(737,484)	(1,079,011)
Student accounts receivable not available within one year	(4,912,022)	(4,396,102)
Grants and other receivables not available within one year	(11,735,669)	(4,085,985)
Prepaid expenses and other assets	(6,621,799)	(6,252,919)
Contributions receivables not available within one year	(20,598,286)	(23,929,763)
Investments – endowment and other	(266,841,344)	(236,924,826)
Student loans receivable	(2,572,431)	(3,507,666)

		2024	2023
Funds held by bond trustees	$	(1,688,563)	(1,650,467)
Right-of-use assets		(510,405,571)	(433,537,083)
Plant assets		(548,712,738)	(499,685,923)
		32,086,294	85,007,464
Available lines of credit		40,000,000	40,000,000
Investment return appropriated for spending in the following year		8,978,917	8,152,000
Total assets and other resources available within one year	$	81,065,211	133,159,464

The decrease in financial assets available within one year as of June 30, 2024 is primarily due to the funds made available for the construction for NY Master-Plan (notes 7 and 9) and the addition of the new lease delivered in 2024 for the dormitory and office space at 15 Beekman Street, New York, New York. In addition to the financial assets available within one year, current year operating revenues including tuition, sales and services of auxiliary enterprises, and other income will fund annual expenditures. The above table excludes donor-restricted and board-designated endowment funds because it is the University management's intention to invest those resources for the long-term support of the University. However, in the case of cash needs or changes to the University's strategic plan of operation, the Board may reappropriate resources from the board-designated endowment funds of $14,661,807 and $13,073,161 as of June 30, 2024 and 2023, respectively.

As part of the University's liquidity management, excess cash resulting from the use and needs of cash within the academic year is invested in short-term investments consisting primarily in money market funds and U.S. government and government agency issues. The University maintains an unsecured one-year line of credit with a seasonal commitment of up to $40 million, of which the entire amount is available as of June 30, 2024 and 2023, respectively.

(4) Contributions Receivable

		2024	2023
Amounts expected to be collected in:			
Less than one year	$	8,203,574	7,624,096
One to five years		19,507,378	24,231,979
More than five years		5,000,000	5,000,000
		32,710,952	36,856,075
Less unamortized discount at rates from 0.80% to 4.82%		(3,546,395)	(4,383,525)
Less allowance for uncollectible amounts		(700,346)	(740,545)
	$	28,464,211	31,732,005

(Continued)

Included in contributions receivable at both June 30, 2024 and 2023 are outstanding pledges from eight and four donors, respectively, which collectively represent approximately 91% and 90% of total related outstanding gross contributions receivable balance for each of the years.

(5) Investments and Investment Return

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

	2024	2023
Pace Fund:		
Cash and cash equivalents	$ 2,462,505	4,206,630
Common stocks	6,941,990	24,127,285
Mutual funds:		
Domestic equities	122,466,555	107,712,501
Exchange-traded funds:		
Domestic equities	13,840,598	11,271,067
Total exchange-traded funds	13,840,598	11,271,067
Commingled funds:		
Global equities (a)	61,844,698	40,285,210
Alternative investments:		
Long/short equity and credit (b)	7,786,287	2,427,965
Private equity (c)	41,963,405	38,296,414
Distressed (c)	33,679	124,184
Real assets (c)	3,190,926	2,841,549
Total alternative investments	52,974,297	43,690,112
Pace Fund total	260,530,643	231,292,805
Other investments:		
Cash and cash equivalents	227,723	141,733
Common stocks	811,748	555,132
Mutual funds:		
Domestic equities	2,279,499	1,786,142
International equities	311,483	290,926
Fixed income	111,092	112,146
Total mutual funds	2,702,074	2,189,214

(Continued)

		2024	2023
Bonds:			
Domestic corporate bonds	$	1,897,190	1,929,524
Municipal bonds		888,199	859,431
Total bonds		2,785,389	2,788,955
Total other investments		6,526,934	5,675,034
Total investments	$	267,057,577	236,967,839

(a) Includes investments in index funds, limited partnerships, limited liability corporations, and trust funds invested in public U.S. equities, international equities, and long/short positions in credit instruments, including bonds, loans, derivatives, and other debt securities.

(b) Includes investments in limited partnerships and limited liability corporations invested in foreign-developed market equities and long/short positions in credit instruments, including bonds, loans, derivatives, and other debt securities.

(c) Includes investment through limited partnerships in underlying private equity partnerships invested in debt securities, buyouts, real estate, venture capital, secondary markets, and natural resources. The underlying investments are diversified by strategy, fund, and vintage year.

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 has an investment policy specific to its endowment fund, which is monitored by the Investment Committee of the Board. The investment policy describes the objective for the fund and sets ranges for asset allocation. The object of the endowment fund is to earn the highest possible total return consistent with a level of risk suitable for these assets. At a minimum, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment fund assets to provide necessary capital to fund the spending policy and to cover the costs of managing the endowment fund investments. The desired minimum rate of return is equal to the Consumer Price Index plus 500 basis points on an annualized basis. Actual returns in any given year may vary from this amount. In light of this return requirement, the portfolio is constructed using a total return approach with a significant portion of the funds invested to seek growth of principal over time. The assets are invested for the long term, and a higher short-term volatility in these assets is expected and accepted. The University limits its investments in commingled funds and so-called alternative investments. 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 semimonthly 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 fair 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.

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, 2024, the Pace Fund had commitments of $30,382,228 for which capital calls had not been exercised. This amount has not been recorded as a liability in the balance sheets as of June 30, 2024. The University maintains sufficient liquidity in its portfolio to cover such calls.

The current endowment spending appropriation is 4.0% of the moving average fair value of the endowment fund investments for the prior 12 quarters. In establishing this policy, the University considers the long-term expected return on its endowment fund investments and sets the rate with the objective of maintaining the purchasing power of its donor-restricted perpetual endowment funds over time.

In accordance with the above spending rate, $8,978,917 and $7,637,154 of investment return was made available for the years ended June 30, 2024 and 2023, respectively, to support operations of the University.

There was an investment gain from nonpooled investments, cash and cash equivalents, and investments designated for construction of $3,599,912 and $2,848,919 in fiscal years 2024 and 2023, respectively.

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

	2024		
	Redemption provision	**Notice period**	**Amount**
Commingled funds	Daily	2 days	$ 33,412,881
	Monthly	31 days	28,431,817
Alternative investments:			
US Equity	Monthly	30 days	5,477,624
US Equity	Quarterly	45 days	2,308,663
Private equity partnerships (including distressed and real assets)	Illiquid		45,188,010
			$ 114,818,995

	2023			
	Redemption provision	**Notice period**		**Amount**
Commingled funds	Daily	2 days	$	14,122,778
	Monthly	31 days		22,023,227
	Quarterly	60 days		4,139,205
Alternative investments:				
US Equity	Quarterly	45 days		2,427,965
Private equity partnerships (including distressed and real assets)	Illiquid			41,262,147
			$	83,975,322

(6) Endowment Funds

The University's endowment consists of 465 individual funds established either by donors (referred to as donor-restricted funds) or by resources set aside by the Board to function as endowments (referred to as board-designated endowment funds). Donor-restricted endowment funds are both those that provide a perpetual source of support for the University's activities and those that are restricted by donors for investments to be made for specific purposes as required by U.S. 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 as 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. In making its determination to appropriate or accumulate, the University must act in good faith, with the care that an ordinary prudent person in a similar position would exercise under similar circumstances considering all relevant factors at the time.

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

	2024		
	Without donor restriction	**With donor restriction**	**Total**
Donor-restricted endowment	$ —	247,436,357	247,436,357
Board-designated endowment	14,661,807	—	14,661,807
Total pooled endowment	14,661,807	247,436,357	262,098,164
Nonpooled investments	2,033,390	2,926,023	4,959,413
Total investments	$ 16,695,197	250,362,380	267,057,577

	2023		
	Without donor restriction	**With donor restriction**	**Total**
Donor-restricted endowment	$ —	219,331,215	219,331,215
Board-designated endowment	13,073,161	—	13,073,161
Total pooled endowment	13,073,161	219,331,215	232,404,376
Nonpooled investments	1,977,236	2,586,227	4,563,463
Total investments	$ 15,050,397	221,917,442	236,967,839

Nonpooled (nonendowment) investments are investments that are not subject to the provisions of the NYPMIFA and are classified as either net assets with donor restrictions or net assets without donor restrictions based on whether the assets have any donor-imposed restrictions at time of receipt by the University. Nonpooled investments include $2,192,372 of assets held under split-interest agreements, $1,897,190 of a corporate bond, $811,749 of corporate stocks, $35,653 of domestic equity mutual funds, and $22,449 of cash equivalents at June 30, 2024. Nonpooled investments include $2,043,917 of assets held under split-interest agreements, $1,929,524 of a corporate bond, $555,132 of corporate stocks, and $34,890 of cash equivalents at June 30, 2023. The changes in split-interest agreements during the years ended June 30, 2024 and 2023 include investment returns of $211,552 and $166,155, respectively, and payments to beneficiaries of $37,633 and $47,125, respectively.

Included in donor-restricted endowments at June 30, 2024 and 2023 are $14,293,194 and $13,588,905, respectively, of net assets expendable only for projects for the Lubin School of Business approved by the donors or the donors' designee.

Changes in endowment assets for the year ended June 30, 2024 were as follows:

		Without donor restriction	With donor restriction	Total
Endowment at June 30, 2023	$	13,073,161	219,331,215	232,404,376
Investment return:				
Investment income		3,767,692	2,122,731	5,890,423
Net appreciation in fair value of investments		1,949,829	32,224,284	34,174,113
Total return on investment		5,717,521	34,347,015	40,064,536
Less appreciation on funds designated for construction and nonpooled investments		(3,599,912)	(257,039)	(3,856,951)
Total endowment return on investment		2,117,609	34,089,976	36,207,585
Contributions		6,025	2,315,140	2,321,165
Appropriation of endowment assets for expenditure		(534,988)	(8,443,929)	(8,978,917)
Other changes, including transfers		—	143,955	143,955
Endowment at June 30, 2024	$	14,661,807	247,436,357	262,098,164

Changes in endowment assets for the year ended June 30, 2023 were as follows:

		Without donor restriction	With donor restriction	Total
Endowment at June 30, 2022	$	11,850,933	198,585,885	210,436,818
Investment return:				
Investment income		2,918,135	1,790,372	4,708,507
Net appreciation in fair value of investments		1,551,389	24,050,644	25,602,033
Total return on investment		4,469,524	25,841,016	30,310,540
Less appreciation on funds designated for construction and nonpooled investments		(2,848,919)	(144,351)	(2,993,270)
Total endowment return on investment		1,620,605	25,696,665	27,317,270

		Without donor restriction	With donor restriction	Total
Contributions	$	97,606	2,156,868	2,254,474
Appropriation of endowment assets for expenditure		(495,983)	(7,141,171)	(7,637,154)
Other changes, including transfers		—	32,968	32,968
Endowment at June 30, 2023	$	13,073,161	219,331,215	232,404,376

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. Deficiencies of this nature would be reported in net assets with donor restrictions. At June 30, 2024, one fund had a deficiency. The market value of this fund was $499,131, and the original gift value was $500,000, leaving a deficiency of $869. At June 30, 2023, eight funds had deficiencies. The combined market value of these funds was $3,914,229, and the original gift value was $4,102,708, leaving a deficiency of $188,479.

(7) Investments – Designated for Construction

The Board designated these investments primarily for the construction of the NY Master-Plan. As of June 30, 2024 and 2023, investments designated for construction totaled $1,605,236 and $57,858,062, respectively. These investments at June 30, 2024 were all held in cash and cash equivalents, and at June 30, 2023, $48,710,435 were held in cash and cash equivalents with the remaining balance invested in fixed-income securities (consisting of corporate bonds) with maturities of less than one year.

(8) Fair Value of Financial Instruments

The following table summarizes the fair value hierarchy of the University's investments as of June 30:

		2024			
		Level 1	Level 2	Level 3	Total
Investments:					
Cash and cash equivalents	$	227,723	—	—	227,723
Common stocks		806,849	4,899		811,748
Mutual funds:					
Domestic equities		2,279,499	—	—	2,279,499
International equities		311,483	—	—	311,483
Fixed income		111,092	—	—	111,092
Bonds		2,785,389	—	—	2,785,389
	$	6,522,035	4,899	—	6,526,934

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments measured at net asset value:				
Pace Fund				$ 260,530,643
Total investments				$ 267,057,577
Funds held by bond trustees (note 11)	$ 1,688,563	—	—	1,688,563
Investments designated for construction (note 7)	1,605,236	—	—	1,605,236

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Cash and cash equivalents	$ 141,733	—	—	141,733
Common stocks	550,233	4,899	—	555,132
Mutual funds:				
Domestic equities	1,786,142	—	—	1,786,142
International equities	290,926	—	—	290,926
Fixed income	112,146	—	—	112,146
Bonds	2,788,955	—	—	2,788,955
	$ 5,670,135	4,899	—	5,675,034
Investments measured at net asset value:				
Pace Fund				231,292,805
Total investments				$ 236,967,839
Funds held by bond trustees (note 11)	$ 1,650,467	—	—	1,650,467
Investments designated for construction (note 7)	57,858,062	—	—	57,858,062

There were no transfers between fair value hierarchy levels in 2024 and 2023.

(Continued)

(9) Plant Assets

Plant assets at June 30, 2024 and 2023 consist of the following:

		2024	2023
Land	$	12,453,325	12,453,325
Land improvements		1,508,920	1,508,920
Buildings, leaseholds, and improvements		648,945,622	563,390,492
Construction in progress		33,891,185	64,889,863
Furniture and equipment		135,008,521	121,637,838
Library books		769,612	769,612
Total		832,577,185	764,650,050
Less accumulated depreciation		(283,864,447)	(264,964,127)
	$	548,712,738	499,685,923

At June 30, 2024, construction commitments were approximately $31.2 million.

Construction in progress primarily consists of amounts expended for the construction of the NY Master-Plan, which was partially funded by restricted contributions and excess operating cash, and therefore, no interest was capitalized for the years ended June 30, 2024 and 2023.

(10) Line of Credit

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 Secured Overnight Financing Rate (SOFR) plus 210 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 four-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. There were no amounts outstanding under the line of credit as of June 30, 2024 and 2023.

There was no interest on borrowing from the line of credit in fiscal year 2024 and 2023.

(11) Long-Term Debt

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

		2024	2023
Dormitory Authority of the State of New York (DASNY or the Authority):			
Revenue Bonds, Pace University issued, $95,840,000, Series 2013A, due serially to 2042 at an effective fixed rate of 4% per annum, plus unamortized premium of $5,463,632 and $5,770,002 and less unamortized prepaid bond issue costs of $1,002,802 and $1,059,034 at June 30, 2024 and 2023, respectively	$	57,990,829	63,470,969
Revenue Bonds, Pace University issued, $19,670,000, Series 2013B, due serially to 2035, at a variable rate subject to weekly reset, less $140,866 and $153,869 unamortized prepaid bond issue costs at June 30, 2024 and 2023, respectively		12,059,134	12,886,131
Westchester County Local Development Corporation (WCLDC):			
Revenue Bonds, Pace University issued, $85,665,000, Series 2014A, due serially to 2042 at an effective fixed rate of 5% per annum through May 2034 increasing to a rate of 5.5% to maturity, less unamortized discount of $376,041 and $397,226 and unamortized prepaid bond issue costs of $1,188,704 and $1,272,416 at June 30, 2024 and 2023, respectively		84,100,255	83,995,358
Revenue Bonds, Pace University issued, $14,925,000 Series 2014B, due serially to 2044 at a variable rate subject to weekly reset, less $165,948 and $157,607 unamortized prepaid bond issue costs at June 30, 2024 and 2023, respectively		14,759,053	14,767,392
Total long-term debt	$	168,909,271	175,119,850

Debt issuance costs of $2,498,320 and $2,642,926 are reported as a reduction of long-term debt on the balance sheets at June 30, 2024 and 2023, respectively.

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 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, 2024 and 2023, $1,362,952 and $1,339,209, respectively, of unexpended funds from these bonds were included in funds held by bond trustees in the balance sheets. These amounts were held in cash equivalents.

The Series 2013B Bonds (federally taxable) were issued on March 7, 2013 to (i) refund a portion of $38,350,000 outstanding principal amount of DASNY's Pace University Revenue Bonds, Series 2005B and (ii) pay the costs of issuance of the Series 2013B Bonds. At June 30, 2024 and 2023, $258,794 and $232,299, respectively, were included in funds held by bond trustees in the balance sheets. These amounts were held in cash equivalents. 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 22.0% per annum based on the University's current credit rating. The weighted average interest rate in 2024 for the Series 2013B Bonds was 6.4%. The range of rates in 2024 was from 5.9% to 6.7%.

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, 2024 and 2023, there were no funds held by bond trustees in the balance sheets related to the Series 2014A.

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, and the bonds mature in 2044. The weighted average interest rate in 2024 for the Series 2014B Bonds was 4.3%. The range of rates in 2024 was from 2.7% to 5.4%. At June 30, 2024 and 2023, $66,817 and $78,959, respectively, were included in funds held by bond trustees in the balance sheets and consisted of construction funds. These amounts were held in cash equivalents.

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, 2024 and 2023 were $8,759,046 and $8,771,767, respectively.

In August 2024, Series 2024B and 2024C bonds were issued in connection with the full refunding of the 2013A and 2014A and 2014B bonds. See note 21, Subsequent Events.

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.

The University was in compliance with the Debt Service Coverage Ratio and maintained a ratio of 2.15 and 2.51 in June 30, 2024 and 2023, respectively.

(12) 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:						
2025	$	6,370,000	3,048,740	—	5,044,325	14,463,065
2026		6,685,000	2,738,551	—	5,045,250	14,468,801
2027		7,015,000	2,412,990	—	5,045,250	14,473,240
2028		7,355,000	2,072,356	—	5,046,175	14,473,531
2029		7,725,000	1,713,049	—	5,044,325	14,482,374
2030 and thereafter		30,580,000	9,035,004	100,590,000	44,116,744	184,321,748

(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 have been eliminated.

The University reports the funded status of its postretirement plans on the balance sheets. The following table provides a summary of this unfunded plan as of June 30, 2024 and 2023:

		2024	2023
Change in benefit obligation:			
Benefit obligation at beginning of year	$	36,670,872	40,310,713
Service cost		50,017	74,893
Interest cost		1,907,005	1,857,243
Participants' contributions		602,173	611,892
Actuarial loss (gain) (A)		(1,523,750)	(3,373,162)
Benefits paid		(2,731,705)	(2,810,707)
Benefit obligation at end of year		34,974,612	36,670,872

		2024	2023
Change in plan assets:			
Employer contributions	$	2,129,532	2,198,815
Plan participants' contributions		602,173	611,892
Benefits paid		(2,731,705)	(2,810,707)
Fair value of plan assets at end of year		—	—
Accrued postretirement health benefits obligation	$	34,974,612	36,670,872

(A) The actuarial gain in 2024 of $1,523,750 was, primarily, the result of a year-end discount rate change from 5.45% to 5.60%. The actuarial gain in 2023 of $3,373,162 was, primarily, the result of a year-end discount rate change from 4.80% to 5.45%.

The net periodic postretirement benefit credit includes the following components:

		2024	2023
Net periodic benefit cost (credit):			
Service cost	$	50,017	74,893
Interest cost		1,907,005	1,857,243
Amortization of prior service credit		(164,179)	(2,792,858)
Recognition of net gain		(280,773)	—
Total net periodic benefit cost (credit)	$	1,512,070	(860,722)

The discount rates were as follows:

	2024	2023
Benefit obligation weighted average assumptions as of June 30, 2024 and 2023:		
Discount rate	5.60 %	5.45 %
Benefit cost weighted average assumptions for the years ended June 30, 2024 and 2023:		
Discount rate	5.45	4.80

Other changes in postretirement benefit obligations recognized in net assets without donor restriction include the following components:

		2024	2023
Actuarial net loss	$	(1,523,750)	(3,373,162)
Amortization of prior service credit		164,179	2,792,858
Recognition of net gain		280,773	—
	$	(1,078,798)	(580,304)

As of June 30, 2024 and 2023, the items not yet recognized as net periodic postretirement benefit cost are as follows:

		2024	2023
Prior service credit	$	—	(164,179)
Net gain		(6,489,073)	(5,246,096)
	$	(6,489,073)	(5,410,275)

The estimated prior service credit and net loss that will be amortized into net periodic benefit cost in 2025 are $0 and $(492,041), respectively.

For measurement purposes, a 7.50% annual rate of increase in the medical per capita cost of covered healthcare benefits was assumed for the year ended June 30, 2024 and then decreasing to 4.5% by 2029 and remaining at that level thereafter; a 7.0% annual rate of increase in the medical per capita cost of covered healthcare benefits was assumed for the year ended June 30, 2023 and then decreasing to 4.5% by 2028 and remaining at that level thereafter. The healthcare cost trend rate assumption has a significant effect on the accrual.

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

2025	$	2,981,776
2026		2,895,999
2027		2,908,031
2028		2,837,220
2029		2,817,618
2030 through 2034		13,089,932

(14) Defined-Contribution Retirement Plan

The University has a defined-contribution retirement plan established in accordance with Section 403(b) of the IRC of 1986, which covers substantially all full-time employees. Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) and Fidelity Management Trust Company

(Fidelity) are the plan's recordkeepers 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 continue to be part of the plan, but new contributions can only be made to TIAA-CREF accounts.

The University has made 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, 2024 and 2023 amounted to $12,082,271 and $11,586,833, respectively.

(15) Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2024 and 2023 are available to support the following areas:

	2024	2023
Instruction	$ 68,376,784	62,768,585
Research	2,322,722	2,023,310
Academic support	51,825,759	47,542,189
Student activities	5,192,056	4,913,819
Institutional support	14,599,432	13,185,224
Capital projects	3,958,756	4,428,574
Auxiliary enterprises	112,532	—
Scholarships	127,508,176	111,063,294
Contributions receivable	19,957,513	20,728,062
Split-interest agreements	2,051,836	1,919,356
	$ 295,905,566	268,572,413

Net assets of $14,293,194 and $13,588,905 as of June 30, 2024 and 2023, respectively, are available to support the Lubin School of Business, expendable only for projects approved by the donors or the donors' designee.

(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 $234,995,444 and $224,885,069 for the years ended June 30, 2024 and 2023, respectively.

(17) Leases

The University is a lessee for numerous operating leases, primarily related to real estate. The vast majority of the University's operating leases have remaining lease terms of 23 years or less, some of which include options to extend the leases and some of which include options to terminate the leases. The University generally does not include renewal or termination options in the assessment of the leases unless extension or termination for certain assets is deemed to be reasonably certain. The accounting for some of the leases may require judgment, which includes determining whether a contract contains a lease, determining the incremental borrowing rates to utilize in the net present value calculation of lease payments for lease agreements, which do not provide an implicit rate, and assessing the likelihood of renewal or termination options. The University also has lease agreements with lease and non-lease components, which are generally accounted for as a single lease component.

The following table summarizes the maturity of the University's operating lease liabilities as of June 30, 2024:

		Active leases
Year ending June 30:		
2025	$	48,761,032
2026		49,923,786
2027		42,465,409
2028		42,835,863
2029		43,116,524
2030 and thereafter		1,061,113,243
Total		1,288,215,857
Less interest		675,706,305
	$	612,509,552

Lease costs and other related information for the years ended June 30, 2024 and 2023, respectively, were as follows:

		2024	2023
Lease cost:			
Operating lease cost	$	57,991,525	45,975,867
Other information:			
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$	45,457,100	34,248,595
Weighted average remaining lease term (years):			
Operating leases		23.27	22.79
Weighted average discount rate:			
Operating leases		6.39 %	6.13 %

On January 1, 2020, the University entered into a lease agreement for a building to be constructed at 15 Beekman Street, New York, NY (the Beekman Lease). The Beekman Lease includes the construction of two components, an educational unit and a dormitory unit (collectively, the Units). The educational unit was delivered on December 5, 2022 and was recorded as a right to use asset of $100,356,785 and an operating lease liability of $116,107,883 on the Balance Sheet as of June 30, 2023. The dormitory unit of the Beekman Lease was delivered on August 1, 2023 and was recorded as a right to use asset of $94,730,690 and an operating lease liability of $97,365,597 on the Balance Sheet as of June 30, 2024.

(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 fundraising expenses of $7,811,720 and $7,231,280 for the years ended June 30, 2024 and 2023, respectively. For purposes of reporting fundraising expenses, the University includes only those fundraising costs incurred by its development office.

(19) Allocation of Certain Expenses

Expenses are presented by functional classification in accordance with the overall mission of the University on the statements of activities. With the adoption of ASU No. 2016-14, each functional classification displays all expenses related to the underlying operation by natural classification as detailed below for the years ended June 30, 2024 and 2023.

	2024						
	Compensation and fringe benefits	Supplies, services, and other*	Professional fees	Utilities and plant contracts**	Depreciation	Interest and other debt-related expenses	Total per statement of activities
Instruction	$ 122,492,669	17,575,670	2,525,292	9,725,768	3,357,091	1,362,089	157,038,579
Research	1,764,812	537,250	437,194	510,924	211,972	77,767	3,539,919
Academic support	39,866,977	6,070,616	2,731,800	11,917,842	5,187,588	1,785,548	67,560,371
Student services	27,148,067	6,646,260	1,823,131	6,644,103	2,825,755	1,366,921	46,454,237
Institutional support	43,240,306	9,363,845	6,639,027	15,859,453	2,257,420	772,030	78,132,081
Auxiliary enterprises	2,758,207	21,855,289	300,684	61,123,790	6,537,628	3,254,111	95,829,709
Total operating	$ 237,271,038	62,048,930	14,457,128	105,781,880	20,377,454	8,618,466	448,554,896
Institutional support	1,462,053	—	—	—	—	—	1,462,053
Total nonoperating	1,462,053	—	—	—	—	—	1,462,053
Total	238,733,091	62,048,930	14,457,128	105,781,880	20,377,454	8,618,466	450,016,949

	2023						
	Compensation and fringe benefits	**Supplies, services, and other***	**Professional fees**	**Utilities and plant contracts****	**Depreciation**	**Interest and other debt-related expenses**	**Total per statement of activities operating**
Instruction	$ 115,386,109	17,830,973	1,760,455	7,626,703	3,153,621	1,360,981	147,118,842
Research	1,815,246	754,674	1,038,134	466,769	199,125	77,240	4,351,188
Academic support	37,547,107	5,646,483	3,018,383	10,929,185	4,873,174	1,766,132	63,780,464
Student services	25,880,383	6,974,115	1,782,403	6,127,164	2,654,489	1,378,213	44,796,767
Institutional support	40,656,411	9,353,846	6,606,480	13,645,676	2,120,602	763,306	73,146,321
Auxiliary enterprises	2,868,177	21,326,827	338,859	48,297,205	6,141,389	3,285,316	82,257,773
Total	$ 224,153,433	61,886,918	14,544,714	87,092,702	19,142,400	8,631,188	415,451,355

* Supplies, services, and other primarily consist of student meal plans, technology service contracts, travel, marketing and publications, and graduate student assistantships.

** Utilities and plant contracts primarily consist of leased property expenses and janitorial and security contracts.

(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

The Series 2024A Bonds (tax-exempt) were issued through DASNY on July 17, 2024 in the aggregate principal amount of $140,425,000 with a net original issue premium of $12,570,348 and a final maturity date of May 1, 2056. These bonds are being issued for the purpose of providing funds which, together with other available money, will be used to (i) pay a portion of the costs of the One Pace Plaza East Project and (ii) pay the costs of issuance of the Series 2024A Bonds.

The One Pace Plaza East Project consists of the following: the design, renovation, construction, equipping, and/or furnishing of academic, administrative, residential, performing arts, student services, and/or mechanical facilities located in the University's building at One Pace Plaza, including (a) the construction and equipping of a 100,000-square foot, state-of-the-art performing arts center consisting of a 450-seat proscenium theater, 200-seat flexible theater, 99-seat black box theater, scene and costume shops, dressing rooms, rehearsal rooms, dance studios, and public gathering spaces; (b) the renovation and expansion of a 12-story, approximately 95,000-square foot residential hall with approximately 516 beds; (c) the replacement of the building's mechanical plant; (d) asbestos abatement and sprinkler installation; and (e) upgrades to the building's façade.

The Series 2024B Bonds (tax exempt) were issued through DASNY on August 7, 2024 in the aggregate principal amount of $84,630,000 with a net original issue premium of $7,219,087 and a final maturity date of May 1, 2042. These bonds are being issued for the purpose of providing funds, which, together with other available money, will be used to (i) refund all of the Series 2013A Bonds, (ii) refund a portion of the Series 2014A Bonds, and (iii) pay the costs of issuance of the Series 2024B Bonds.

The Series 2024C Bonds (tax exempt) were issued through DASNY on August 7, 2024 in the aggregate principal amount of $60,000,000 and a final maturity date of May 1, 2044. These bonds are being issued for the purpose of providing funds, which, together with other available money, will be used to (i) refund the remaining portion of the 2014A Bonds, (ii) refund all of the Series 2014B Bonds, and (iii) pay the costs of issuance of the Series 2024C Bonds. These bonds are variable rate securities in which the coupon is reset each week by a remarketing agent.

The Series 2024 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 DASNY in any bond year for the principal.

On August 8, 2024, a Guaranteed Maximum Price (GMP) addendum was fully executed as part of the Construction Management Agreement with a New York–based construction company that will serve as the construction manager for the One Pace Plaza East Project. The GMP is guaranteed by the construction manager not to exceed $218,500,000.

In accordance with ASC Subtopic 855-10, *Subsequent Events*, the University evaluated subsequent events after the balance sheet date of June 30, 2024 through November 18, 2024, which was the date the financial statements were issued, and determined that there were no additional matters required to be disclosed.