PACE UNIVERSITY

Financial Statements

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

Independent Auditors ¶Report

The Board of Trustees
Pace University:

We have audited the accompanying financial statements of Pace University (the University), which comprise the balance sheets as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management ¶s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors

Emphasis of Matter

As discussed in Note 2(c) to the financial statements, the University adopted Accounting Standards Update (ASU) 2016-02, (Topic 842): Leases, on a modified retrospective basis. Our opinion is not modified with respect to this matter.

KPMG LLP

November 16, 2021

PACE UNIVERSITY

Balance Sheets

June 30, 2021 and 2020

Assets		2021	2020
Cash and cash equivalents	$	52,196,384	22,842,030
Student accounts receivable (net of allowance for doubtful accounts of $4,500,000 and $3,981,263, respectively)		14,731,762	13,240,349
Grants and other receivables		3,492,117	3,049,725
Prepaid expenses and other assets		4,323,578	4,698,294
Contributions receivable, net (note 4)		11,205,812	20,946,506
Investments – endowment and other (notes 5 and 6)		255,310,657	197,969,438
Investments – designated for construction (note 7)		6,509,427	9,232,720
Student loans receivable (net of allowance for doubtful accounts of $4,901,146 and $5,071,972, respectively)		5,757,263	7,336,141
Funds held by bond trustees, at fair value (note 11)		1,533,155	1,438,821
Right of use assets (notes 2(m) and 17)		339,359,374	—
Plant assets, net (note 9)		443,639,652	426,646,279
Total assets	$	1,138,059,181	707,400,303
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	64,118,846	45,547,107
Deferred revenues and deposits		9,635,659	32,037,533
Long-term debt (notes 11 and 12)		186,746,010	191,301,590
Operating lease liabilities (notes 2(m) and 17)		401,177,475	—
Asset retirement obligations		6,565,234	6,219,450
Deferred rental obligations (note 17)		—	41,684,339

PACE UNIVERSITY

Statements of Activities

Years ended June 30, 2021 and 2020

PACE UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 87,434,503	16,322,049
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net appreciation in fair value of investments	(62,581,254)	(7,190,061)
Net (appreciation) depreciation in investments designated for construction	—	6,243
Net (appreciation) depreciation in fair value in split-interest agreement investments	(405,300)	57,732
Investment return on funds held by bond trustee	(3,706)	(53,369)
Change in value of split-interest agreement liabilities	32,359	(20,501)
Postretirement related changes other than net periodic pension cost	(2,165,701)	(360,007)
Provision for doubtful student loans receivable	(170,826)	40,628
Deferred rental revenue	—	(944,196)
Depreciation	18,963,922	19,426,505
Amortization of asset retirement obligation	345,784	353,123
Amortization of bond premium, net of bond discount accretion	(285,186)	(285,186)
Amortization of bond issuance costs	144,606	144,606
Reduction in the carrying amount of the right-of-use asset – operating leases	19,287,962	—
Revenues and losses restricted for permanent investment and capital	(11,726,479)	(5,177,501)
Changes in operating assets and liabilities:		
Student accounts receivable, net of allowance	(1,491,413)	(2,702,585)
Government grants and other receivables	(442,392)	1,318,526
Prepaid expenses and other assets	374,716	(247,561)
Contributions receivable, net	(3,424,324)	3,217,202
Noncapital accounts payable and accrued liabilities	15,008,698	(88,109)
Deferred revenues and deposits	(9,309,843)	8,885,070
Deferred rent obligation	287,937	6,509,843
Lease liabilities	(12,534,168)	—
Asset retirement obligation	—	(117,780)
Accrued postretirement benefit obligation	(4,616,945)	(4,417,696)
U.S. government grants refundable	(1,446,184)	(2,065,063)
Net cash provided by operating activities	31,276,766	32,611,912
Cash flows used in investing activities:		
Repayment of student loans, net of issuance	1,749,704	2,147,452
Purchase of plant assets	(32,426,613)	(24,555,743)
Decrease in capital accounts payable	—	(19,486)
Purchase of investments	(47,065,953)	(20,146,675)
Cash flows rovided by sting activities:		

In conjunction with the public health and economic impacts of COVID-19, U.S. Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020. The CARES Act Higher Education Emergency Fund (HEERF I) included provisions to provide financial support to colleges and universities with 90% of these funds going directly to the institutions. Colleges and universities were mandated to use at least 50% of their allotment for direct emergency aid to students. The University's total CARES Act allocation received was $8,562,106, in two separate tranches, $4,281,053 received on April 28, 2020 and $4,281,053 received on May 11, 2020. The first tranche was disbursed to eligible students in fiscal year 2020. $3,358,179 of the second tranche was disbursed as financial aid to students during fiscal year 2021 and the University applied the remaining balance of $922,874 to institutional support. On December 27, 2020, the U.S. Congress passed the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). The CARES Act Higher Education Relief Fund (HEERF II) included provisions to provide direct emergency aid to students and for institutional aid. The University's total HEERF II allocation was $12,938,858 with $4,281,053 allotted for student aid and $8,657,805 allotted for institutional support. As of June 30, 2021 the direct student aid allotment was fully disbursed to students and the institutional support was fully applied to institutional aid. On March 11, 2021 the U.S. Congress passed the American Rescue Plan Act (ARP). The ARP Act Higher Education Emergency Fund (HEERF III) included provisions to provide financial support to colleges and universities. The University's total HEERF III allocation was $23,076,452 with $11,566,796 allotted for student aid and $11,509,656 allotted for institutional aid. As of June 30, 2021 $6,774,423 of the student aid allotment was disbursed to with the remaining balance of $4,792,373 deferred to fiscal year 2022. For the institutional aid, as of June 30, 2021, $11,499,656 was applied to institutional support and $10,000 was deferred to fiscal year 2022.

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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 Statement 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.

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.

(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.

(c) Recently Adopted Accounting Pronouncements

The University adopted ASU 2016-02, Leases on a modified retrospective basis effective July 1, 2020. ASU 2016-02 requires recognition of rights and obligations arising from lease contracts assets and liabilities on the Balance Sheet and also requires expanded qualitative and quantitative disclosures. The University's right-of-use (ROU) assets and lease liabilities for operating leases at adoption were $358,647,336 and $413,711,644, respectively.

(d) 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.

ash balances at various financial institutions located in the New York
posit accounts at each bank are insured by the Federal Deposit Insurance
o $250,000 per account. The balances occasionally exceed those limits. Cash
rities, and limited amounts of cash held in brokerage accounts are protected by
Protection Corporation (SIPC) in the event of broker-dealer failure, up to
n for each brokerage account, with a limit of $250,000 for claims of uninvested
SIPC insurance does not protect against market losses on investments.

Fees

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

s Receivable

s receivable are unsecured noninterest-bearing amounts from students for [redacted]
s due to the University. Management has established an allowance for dou [redacted]
tanding balances deemed to be uncollectible. The allowance for uncollecti [redacted]
ble is based on management's evaluation of individual student accounts, e [redacted]
nd historical trends.

ts and Contracts

and contracts are generally considered conditional contributions, as the [redacted]
lly include a barrier that must be overcome and either a right of return of assets
of release of a promisor's obligation to transfer assets. The presence of both a
return or right of release indicates that what a recipient promises to give are not
become unconditional, that is, when the barrier(s) in the agreement are
ue from federal agencies is subject to independent audit under the Off ti (fede) ne reW* nBT/

(h) 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.

(i) 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.

(j) Investments ±Endowment and Other

Endowment investments are reported at fair value with changes in fair value reported as investment return in the Statement 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 Sheet 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.

(k) Investments ±

- 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); and

  Inputs derived principally from, or corroborated by, observable market data by correlation or other means.

- Level 3.

(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:

	2021	2020
Total assets	$ 1,138,059,181	707,400,303
Less:		
Cash and cash equivalents not available within one year	(2,190,292)	(2,256,610)
Student accounts receivable not available within one year	(6,776,610)	(2,831,279)
Grants and other receivables not available within one year	(541,305)	(558,627)
Prepaid expenses and other assets	(4,323,578)	(4,698,294)
Contributions receivables not available within one year	(7,983,206)	(17,596,834)
Investments – endowment and other		[illegible]

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 $13,895,168 and $10,564,236, as of June 30, 2021 and 2020, 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, 2021 and June 30, 2020, respectively.

(4) Contributions Receivable

	2021	2020
Amounts expected to be collected in:		
Less than one year	$ 3,989,668	15,031,007
One to five years	3,957,819	2,959,660
More than five years	5,000,000	5,000,000
	12,947,487	22,990,667
Less unamortized discount at rates from 0.15% to 3.04%	(1,447,584)	(1,564,078)
Less allowance for uncollectible amounts	(294,091)	(480,083)
	$ 11,205,812	20,946,506

		2021	2020
Alternative investments:			
Long/short equity and credit (b)	$	142,482	8,529,253
Private equity (c)		32,965,074	22,053,456
Distressed (c)		165,242	283,833
Real assets (c)		834,573	921,552
Total alternative investments		34,107,371	31,788,094
Pace Fund total		235,825,821	150,756,428
Other investments:			
Cash and cash equivalents		2,679,005	10,572,471
Common stocks		594,539	736,207
Mutual funds:			
Domestic equities		2,146,076	2,758,620
International equities		313,308	546,305
Fixed income		124,899	11,298,855
Total mutual funds		2,584,283	14,603,780
Bonds:			
U.S. Treasuries		3,988,588	5,563,107
Domestic corporate bonds		5,701,026	12,504,503
International corporate bonds		768,142	1,900,799
Commercial mortgage-backed securities		2,329,511	541,275
Municipal bonds		839,742	790,768
Total bonds		13,627,009	21,300,452
Total other investments		19,484,836	47,212,910
Total investments	$	255,310,657	197,969,338

(a)

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

The Pace Fund contains various redemption restrictions with required notice periods. The following tables summarize the composition of such investments by re

(6) Endowment Funds

The University's endowment consists of 435 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

		2020		
		Without donor restriction	**With donor restriction**	**Total**
Donor-restricted endowment	$	—	183,262,816	183,262,816
Board-designated endowment		10,564,236	—	10,564,236
Total pooled endowment		10,564,236	183,262,816	193,827,052
Non-pooled investments		1,968,570	2,173,816	4,142,386
Total investments	$	12,532,806	185,436,632	197,969,438

Non-pooled (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. Non-pooled investments include $2,157,336 of assets held under split-interest agreements, $1,900,289 of a corporate bond, $594,539 of corporate stocks, and $43,346 of cash equivalents at June 30, 2021. Non-pooled investments include $1,726,570 of assets held under split-interest agreements, $1,656,662 of a corporate bond, $736,206 of corporate stocks, and $22,948 of cash equivalents at June 30, 2020. The changes in split-interest agreements during the year ended June 30, 2021 and 2020 include investment returns of $427,262 and ($13,929), respectively, and payment to beneficiaries of $35,309 and $35,309, respectively.

Included in donor-restricted endowments at June 30, 2021 and 2020 are $46,071,145 and $42,019,511, 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, 2021 were as follows:

		Without donor restriction	**With donor restriction**	**Total**
Endowment at June 30, 2020	$	10,564,236	183,262,816	193,827,052
Investment return:				
Investment income		140,031	1,143,829	1,283,860
Net appreciation in fair value of investments		3,931,851	59,402,074	63,333,925
Total return on investment		4,071,882	60,545,903	64,617,785
Less appreciation on funds designated for construction and nonpooled investments		(305,481)	(221,293)	(526,774)
Total endowment return on investment		3,766,401	60,324,610	64,091,011

(Continued)

		Without donor restriction	With donor restriction	Total
Contributions	$	24,000	14,575,339	14,599,339
Appropriation of endowment assets for expenditure		(427,842)	(5,964,718)	(6,392,560)
Other changes, including transfers		(31,627)	(15,478,068)	(15,509,695)
Endowment at June 30, 2021	$	13,895,168	236,719,979	250,615,147

Changes in endowment assets for the year ended June 30, 2020 were as follows:

		Without donor restriction	With donor restriction	Total
Endowment at June 30, 2019	$			

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, 2021, there were no funds with deficiencies. At371.38 155.54 Td(.)TjETQq0 0 612 7.v494d reW8 792 reW* d reW8 Nd14 (.)5 (At)Td(,)TjETQq0 0

(7) Investments ±Designated for Construction

The Board designated these investments primarily for the construction of the NY Master-Plan. Funds held by bond trustees were released in 2018 as requisitioned by the University for payments for capital projects. As of June 30, 2021 and 2020, investments designated for construction totaled $6,509,427 and $9,232,720, respectively. These investments include $6,509,427 and $1,657,104 of cash and cash equivalents as of June 30, 2021 and 2020, respectively, with the remaining balance invested in fixed-income securities (consisting of certificates of deposits and corporate bonds) with maturities of less

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments:				
Cash and cash equivalents	$ 10,572,471	—	—	10,572,471
Common stocks	731,308	4,899	—	736,207
Mutual funds:				
Domestic equities	2,758,620	—	—	2,758,620
International equities	546,305	—	—	546,305
Fixed income	11,298,855	—	—	11,298,855
Bonds	8,010,537	13,289,915	—	21,300,452
	$ 33,918,096	13,294,814	—	47,212,910
Investments measured at net asset value:				
Pace Fund				150,756,528
Total investments				$ 197,969,438
Funds held by bond trustees (note 11)	$ 1,438,821	—	—	1,438,821
Investments designated for construction (note 7)	$ 9,232,720	—	—	9,232,720

The COVID-19 pandemic has negatively affected the higher education landscape in general as well. While the financial impact on the University cannot be quantified at this time, the pandemic may have a material adverse effect on the current and future financial profile and operating performance of the University. The University continues to monitor the course of the pandemic and is prepared to take additional measures to protect the health of the University community and promote the continuity of its academic mission.

There were no transfers between fair value hierarchy levels in 2021 and 2020.

(9) Plant Assets

Plant assets at June 30, 2021 and 2020 consist of the following:

		2021	2020
Land	$	12,453,325	12,453,325
Land improvements		1,508,920	1,508,920
Buildings, leaseholds, and improvements		510,983,357	498,205,897
Construction in progress		36,840,117	19,782,374
Furniture and equipment		110,077,809	105,860,305
Library books		769,614	769,614
Total		672,633,142	638,580,435
Less accumulated depreciation		(228,993,490)	(211,934,156)
	$	443,639,652	426,646,279

Construction in progress primarily consists of amounts expended for the construction of the NY Master-Plan, which was primarily funded by restricted contributions and proceeds received from the sale of 106 Fulton Street in 2017, and therefore, no interest was capitalized for the years ended June 30, 2021 and 2020.

Included in buildings, leaseholds, and improvements as of June 30, 2021 and 2020 is $16,226,522 relating to the Judicial Institute building (the Center) with accumulated depreciation of $3,245,144 and $3,064,847, respectively. The Center was constructed on the University

(Continued)

(11) Long-Term Debt

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

	2021	2020

Debt issuance costs of $2,932,140 and $3,076,746 are reported as a reduction of long-term debt on the Balance Sheets at

The Series 2013A Bonds (tax-exempt) were issued on March 7, 2013 to (i) finance the acquisition, renovation, construction, equipping, and/or furnishing of certain of the University's facilities, (ii) refund a portion of the $70,900,000 outstanding principal amount of DASNY's Pace University Insured Revenue Bonds, Series 2005A, (iii) fund the cost of terminating an interest rate swap agreement associated with the Series 2005A Bonds, and (iv) pay the costs of issuance of the Series 2013A Bonds. At June 30, 2021 and 2020, $1,342,485 and $1,184,922, respectively, of unexpended funds from these bonds was included in funds held by bond trustees in the Balance Sheets. Of these amounts, $546,302 and $574,978 were held in cash equivalents with the remaining balance invested in fixed-income securities (consisting of U.S. Treasury notes) with maturities of less than one year.

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'

Financial Covenants DASNY Series 2013 and WCLDC Series 2014

Pursuant to the loan agreements related to the DASNY Series 2013 Revenue Bonds and the WCLDC Series 2014 Revenue Bonds, the University is required to adhere to certain financial covenants, including a Debt Service Coverage Ratio, determined by dividing the Operating Income Available for Debt Service by Annual Debt Service, as defined. A Debt Service Coverage Ratio less than 1.00 as of any Calculation Date or less than 1.10 for two consecutive years constitutes an Event of Default under the Master Trust Indentures.

The University's ability to incur additional indebtedness, as defined, is limited by a requirement to maintain a minimum credit rating of BBB – or Baa3 or by meeting one of two pro-forma Maximum Annual Debt Service ratios, as defined.

At June 30, 2021 and 2020, the University was in compliance with its financial debt covenant requirements.

(12) Debt Service ±

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, 2021 and 2020:

		2021	2020
Change in benefit obligation:			
Benefit obligation at beginning of year	$	62,298,185	67,075,889
Service cost		229,142	272,887
Interest cost		1,524,934	2,097,806
Participants' contributions		687,524	600,000
Amendments (A)		—	(8,616,284)
Actuarial loss (gain) (B)		(6,764,603)	5,025,669
Benefits paid		(2,658,084)	(4,349,326)
Subsidies received		198,441	191,544
Benefit obligation at end of year		55,515,539	62,298,185
Change in plan assets:			

(A) There were no plan amendments in fiscal year 2021 affecting the accrued postretirement obligation.

The net periodic postretirement benefit expense (credit) includes the following components:

		2021	2020
Net periodic benefit cost (credit):			
Service cost	$	229,142	272,887
Interest cost		1,524,934	2,097,806
Amortization of prior service credit		(6,253,772)	(5,031,097)
Amortization of net loss		1,654,870	1,800,489
Total net periodic benefit credit	$	(2,844,826)	(859,915)

The discount rates were as follows:

	2021	2020
Benefit obligation weighted average assumptions as of June 30, 2021 and 2020:		
Discount rate	2.85 %	2.70 %
Benefit cost weighted average assumptions for the years ended June 30, 2021 and 2020:		
Discount rate *	2.70 %	3.5%/3.25%

* A 3.5% rate was used for July 1, 2019 through December 31, 2019. A 3.25% rate was used for January 1, 2020 through June 30, 2020 to reflect the applicable rate at January 1, 2020, the date the plan changes were implemented.

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

		2021	2020
New prior service (credit) cost	$	—	(8,616,284)
Actuarial net loss		(6,764,603)	5,025,669
Amortization of prior service credit		6,253,772	5,031,097
Recognition of net (loss)/gain		(1,654,870)	(1,800,489)
	$	(2,165,701)	(360,007)

As of June 30, 2021 and 2020, the items not yet recognized as net periodic postretirement benefit cost are as follows:

		2021	2020
Prior service credit	$	(7,172,401)	(13,426,171)
Net loss/(gain)		13,174,138	21,593,610
	$	6,001,737	8,167,439

The estimated prior service credit and net loss that will be amortized into net periodic benefit cost in 2021 are $(4,215,364) and $1,200,407, respectively.

For measurement purposes, a 6.0% and 6.5% annual rate of increase in the medical per capita cost of covered healthcare benefits was assumed for pre-age and post-age 65 r ca nT0 a,ov (g)5 (e Tie)5 (ctS1 gs01TjETQq 451

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, 2021 and 2020 amounted to $11,921,750 and $10,632,100, respectively. In response to the COVID-19 pandemic, the University suspended the employer matching contributions to the defined-contribution retirement plan effective June 1, 2020. Effective April 1, 2021, the University reinstated the employer matching contribution and on

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The University is a leasee 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.

For the year ended June 30, 2020 rent expense under the previous lease standard was $42,547,030.

The following table summarizes the maturity of the Universities operating lease liabilities as of June 30, 2021:

		Active leases
Year ending June 30:		
2022	$	35,089,316
2023		25,822,601
2024		25,560,961
2025		26,158,333
2026		27,134,002
2027 and thereafter		637,078,666
Total		776,843,879
Less interest		375,666,404
	$	401,177,475

Lease costs and other related information for the year ended June 30, 2021 were as follows:

Lease cost:		
Operating lease cost	$	41,798,729
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	19,287,962

(Continued)

(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 337.96 590( )Tj..82 5 displays all expenses related to the underlying operation by natural classification as detailed below for the years ended June 612 792 reW* nBT/TT1 10.02 Tf110.12 566.74 Tdl

(21) Subsequent Events

In accordance with ASC Subtopic 855-10, Subsequent Events, the University evaluated subsequent events after the balance sheet date of June 30, 2021 through November 16, 2021, which was the date the financial statements were issued, and determined that there were no additional matters required to be disclosed.