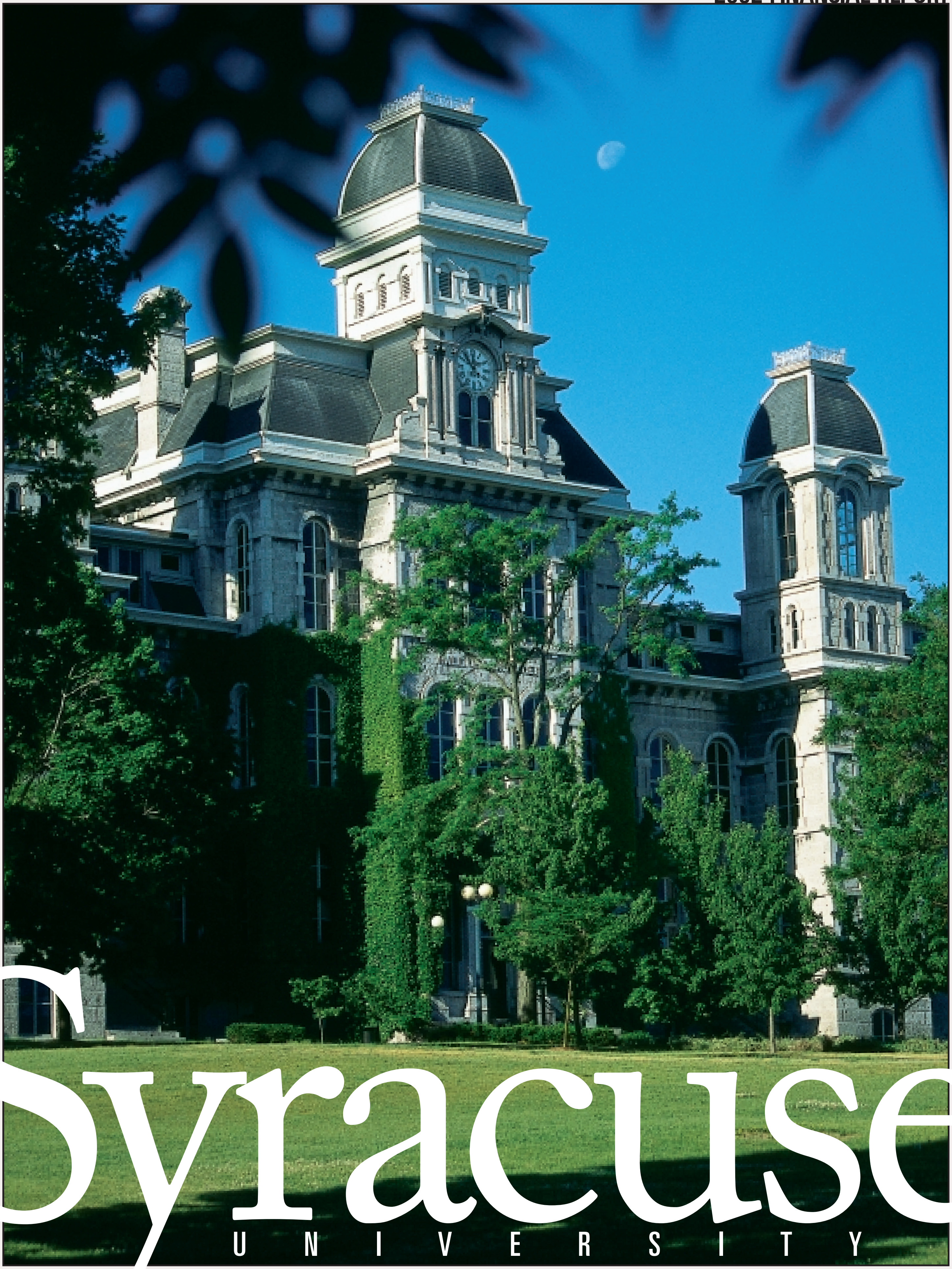
2002 FINANCIAL REPORT



Syracuse

UNIVERSITY

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MISSION:

To promote learning through teaching, research, scholarship, creative accomplishment, and service.

VISION:

To be the leading student-centered research university with faculty, students, and staff sharing responsibility and working together for academic, professional, and personal growth.

The 2001-02 Fiscal Year was marked with extraordinary challenges for Syracuse University, for the nation, and for the world. The unprecedented attacks on this country on September 11 reverberated in thousands of ways in the ensuing months and even today.

In the immediate aftermath of the attacks, this University responded swiftly and surely. We reached out to the members of the campus community who were directly affected by offering advice and counsel, and, where needed, financial support. We offered our assistance to the recovery efforts in New York City. We used the events as catalysts for serious discussion of the issues most pertinent to the tragedies through forums and less formal gatherings.

We also felt the economic effects of September 11. Like all other institutions, organizations, and individuals, we experienced some losses. Nevertheless, our traditional conservative approach to the University's fiscal health has left us in good stead for the future.

Therefore, we continue to develop our comprehensive Academic Plan, a document that places emphasis on the University's areas of greatest strength. And we continue to shape our physical campus for the demands of tomorrow.

Our efforts have been rewarded by a number of outstanding successes. This fiscal year saw the announcement of a multimillion dollar State of New York Center of Excellence for Environmental Systems for this campus. This initiative promises to set new benchmarks in the study of indoor and outdoor environmental quality and bring international recognition to the University. Also this year, the campus hosted the first annual University Lectures series featuring such speakers as authors Salman Rushdie and David McCullough, paleoanthropologist Richard Leakey, and former Senator George Mitchell. The presence of these and other international thinkers and scholars added immeasurably to the intellectual climate on campus.

Syracuse University continues to thrive in other ways. This spring we closed enrollment for undergraduate students, having filled the class many weeks ahead of schedule. To me, this is strong evidence that the institution's reputation as a leading student-centered research university resonates among the thousands of students and families who choose us as the place to learn and grow.

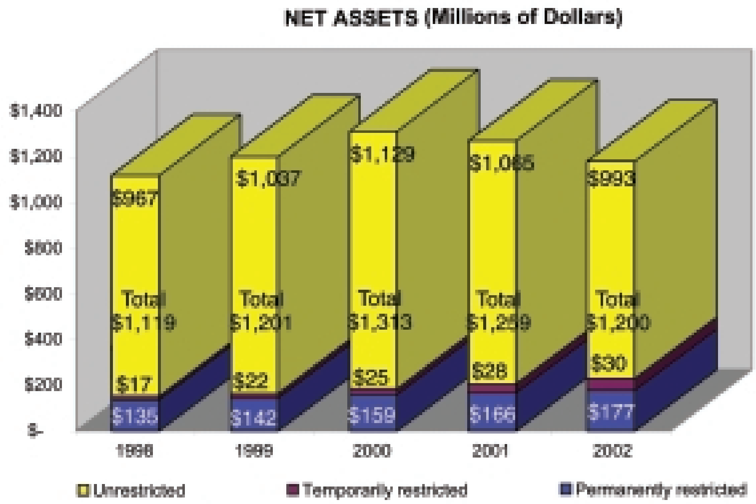
I am gratified, and I am confident of an even stronger future.

Kenneth A. Shaw
Chancellor and President

At June 30, 2002, net assets are $1.2 billion and investments have a fair value of nearly $850 million.

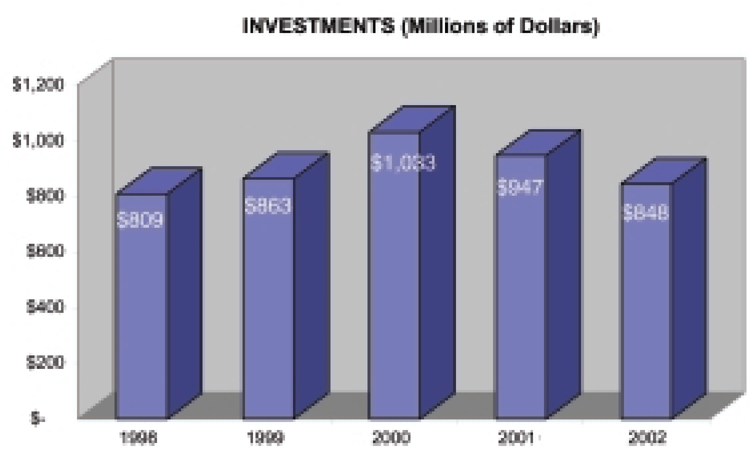
The June 30 balance for each class of net assets for the five most recently completed fiscal years, is set forth below:

Louis G. Marcoccia
Senior Vice President for Business, Finance, and Administrative Services



Net assets decreased in fiscal 2002 primarily because of the decrease in fair value of investments.

The total fair value of investments at June 30 for the five most recently completed fiscal years is presented below:

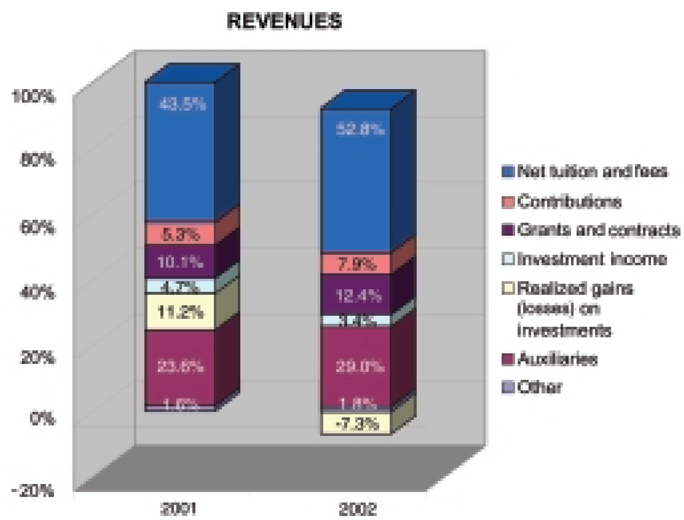


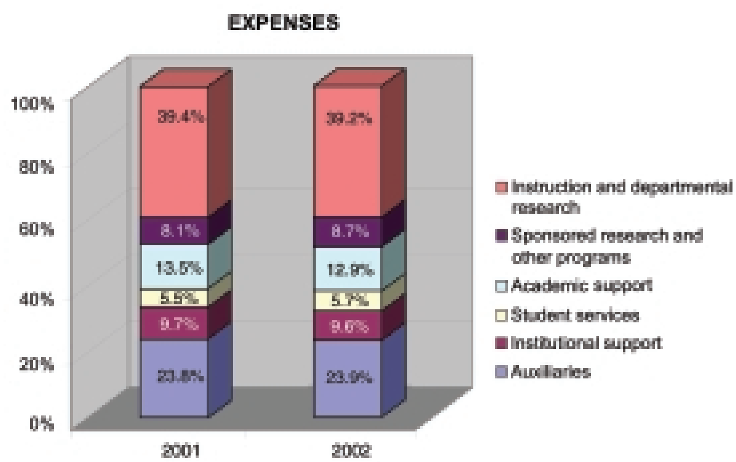
The asset allocation of investments at fair value at June 30, 2002, was 34.9% fixed income, 56.2% equities, and, 8.9% other.

During fiscal 2002, the University increased its pooled long-term investment distribution per unit by 8.6% to $22.12 per unit. It plans to decrease the distribution per unit by approximately .9% for fiscal 2003 to $21.93.

Fiscal 2002 was another positive year of well planned and controlled spending.

For fiscal 2002 and 2001 the revenue amounts as percentages of total revenues, and the expense amounts as percentages of total expenses, were as follows:

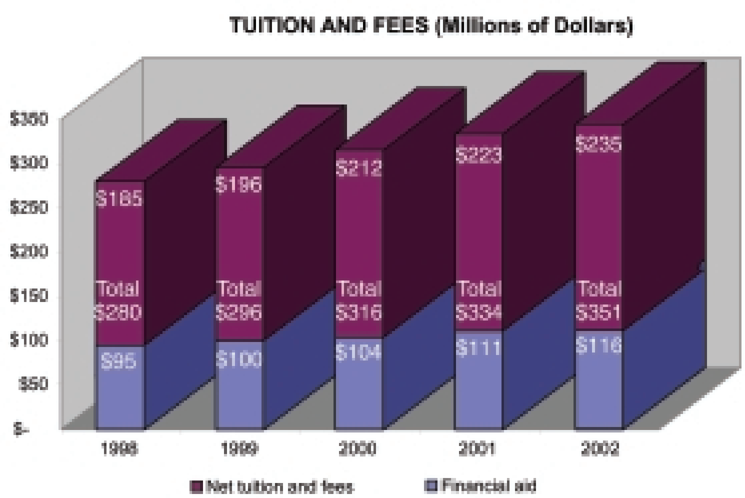




The changes between fiscal years 2002 and 2001 in revenue amounts as percentages of total revenues were impacted by the realized losses and gains on investments recognized in those years, respectively.

Tuition and fees totaled $350.5 million. Financial aid as a percentage of tuition and fees decreased by .2% to 33.0%, and current year net tuition and fees represented 56.9% of the University's total revenues.

Tuition and fees and related financial aid for the five most recently completed fiscal years are illustrated below:



During fiscal 2002, the net negative total of realized losses and of the unrealized change in fair value of University investments was approximately $64.5 million.

For fiscal 2003, the University's operating budget is expected to increase by approximately 5.0% from its fiscal 2002 operating budget.

Capitalized land, land improvements, building (including capitalized interest), and equipment expenditures (including capitalized computer software) totaled approximately $37.8 million, and included spending for the acquisition and renovation of 106 Walnut Place for the Division of International Programs Abroad; design and construction phases of the University Avenue Garage, the new School of Management building, Hinds renovation for the School of Information Studies, and the Chilled Water Plant addition; renovation of Lubin House; functional improvements in the Center for Science and Technology, Schine Student Center Bookstore, Kimmel Computer Cluster, Newhouse II, Physics Building, Sims Hall, Slocum Auditorium, Hall of Languages Auditoria, Crouse College of Visual and Performing Arts Offices, Schine Center Career Services Offices, and Bowne Hall Anthropology Laboratory; renovation of Kimmel Dining Hall; roof replacements and preventive maintenance in Comart Building, Hendricks Chapel, Skyhalls, Skytop II Apartments, Manley Field House Arena, and

Smith Hall; structural and exterior masonry maintenance in Crouse College, Tolley Administration Building, Bowne Hall, Slocum Heights, Watson Hall, and campus parking garages; high-speed network connections in Slocum Heights; student room lighting upgrades in Dellplain Hall; mechanical, electrical, and utility systems upgrades on Heroy Hall, Center for Science and Technology, Huntington Hall, Carrier Dome, Lawrinson Hall, Bird Library, Women's Building, Chilled Water Plant, and Archbold North facility; installations of energy management systems in Huntington Hall, Henry Center, and Comart Building; elevator upgrades in Slocum Hall and Booth Hall; classroom audio-video upgrades in HB Crouse, Hall of Languages, Newhouse II, Link Hall, Bowne Hall, and Heroy Hall; replacement of a steam line to Newhouse I and II and the Hall of Languages; installation of sprinkler systems in Booth Hall, Haven Hall, and Dellplain Hall; renovations of the Manley North and Women's Building parking lots; and sitework improvements on the main Quad and between Slocum Hall and Sims Hall, and Steele Hall and the Carrier Dome.

Outstanding financial management services in support of the University's mission and vision are provided by the University's Comptroller, William F. Patrick; Associate Comptrollers, James M. Crimmer, Leonard M. Granozio, and Robert F. Hartley; Treasurer, Barbara L. Wells; Budget and Planning Director, John B. Hogan; and their excellent staffs.

Louis G. Marcoccia
Senior Vice President for Business, Finance,
and Administrative Services

To the Board of Trustees
Syracuse University

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of activities and cash flows present fairly, in all material respects, the financial position of Syracuse University as of June 30, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Syracuse, New York
July 13, 2002

JUNE 30, 2002 AND 2001

Thousands of Dollars	**2002**	**2001**
ASSETS		
Cash and cash equivalents	$ 50,171	$ 22,583
Accounts receivable (less allowance for doubtful accounts of $7.2 million and $6.6 million for 2002 and 2001, respectively)	14,567	14,499
Pledges and bequests receivable	19,284	19,146
Inventories and other assets	18,509	18,894
Loans to students (less allowance for doubtful accounts of $1.0 million for 2002 and 2001, respectively)	27,742	26,481
Investments	848,498	946,669
Land, land improvements, buildings, equipment, and collections	522,542	513,286
TOTAL ASSETS	**$ 1,501,313**	**$ 1,561,558**
LIABILITIES		
Accounts payable and accrued liabilities	$ 62,214	$ 62,341
Deposits and deferred revenues	42,496	45,902
Accrued postretirement benefits	33,505	30,202
Refundable government student loan funds	25,649	25,045
Long-term debt	137,859	139,183
Total liabilities	301,723	302,673
NET ASSETS		
Unrestricted	992,925	1,065,082
Temporarily restricted	29,871	27,548
Permanently restricted	176,794	166,255
Total net assets	1,199,590	1,258,885
TOTAL LIABILITIES AND NET ASSETS	**$ 1,501,313**	**$ 1,561,558**

The accompanying notes are an integral part of the financial statements.

YEAR ENDED JUNE 30, 2002
With Comparative Totals for Year Ended June 30, 2001

Thousands of Dollars	Unrestricted	Temporarily Restricted	Permanently Restricted	2002 Total	2001 Total
REVENUES					
Tuition and fees	$ 350,519			$ 350,519	$ 334,045
Less: Financial aid	115,654			115,654	110,778
Net tuition and fees	234,865			234,865	223,267
Contributions	18,061	$ 6,786	$ 9,600	34,447	27,126
Grants and contracts	54,964			54,964	51,642
Investment income	12,975	667	1,404	15,046	23,833
Realized gains (losses) on investments	(31,311)	101	(362)	(31,572)	57,733
Auxiliaries	129,184			129,184	121,447
Other	11,406	(2,913)		8,493	8,377
Total revenues	430,144	4,641	10,642	445,427	513,425
EXPENSES					
Instruction and departmental research	185,025			185,025	178,731
Sponsored research and other programs	41,017			41,017	36,692
Academic support	60,959			60,959	61,939
Student services	27,403			27,403	24,826
Institutional support	44,664			44,664	44,482
Auxiliaries	112,750			112,750	107,804
Total expenses	471,818			471,818	454,474
Increase (decrease) in net assets before unrealized change in fair value of investments	(41,674)	4,641	10,642	(26,391)	58,951
Unrealized change in fair value of investments	(30,483)	(2,318)	(103)	(32,904)	(113,378)
Increase (decrease) in net assets	(72,157)	2,323	10,539	(59,295)	(54,427)
Net assets at beginning of year	1,065,082	27,548	166,255	1,258,885	1,313,312
NET ASSETS AT END OF YEAR	**$ 992,925**	**$29,871**	**$176,794**	**$1,199,590**	**$1,258,885**

The accompanying notes are an integral part of the financial statements.

YEAR ENDED JUNE 30, 2001

Thousands of Dollars	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Tuition and fees	$ 334,045			$ 334,045
Less: Financial aid	110,778			110,778
Net tuition and fees	223,267			223,267
Contributions	20,140	$ 515	$ 6,471	27,126
Grants and contracts	51,642			51,642
Investment income	22,455	669	709	23,833
Realized gains on investments	57,229		504	57,733
Auxiliaries	121,447			121,447
Other	5,776	2,601		8,377
Total revenues	501,956	3,785	7,684	513,425
EXPENSES				
Instruction and departmental research	178,731			178,731
Sponsored research and other programs	36,692			36,692
Academic support	61,939			61,939
Student services	24,826			24,826
Institutional support	44,482			44,482
Auxiliaries	107,804			107,804
Total expenses	454,474			454,474
Increase in net assets before unrealized change in fair value of investments	47,482	3,785	7,684	58,951
Unrealized change in fair value of investments	(111,842)	(1,580)	44	(113,378)
Increase (decrease) in net assets	(64,360)	2,205	7,728	(54,427)
Net assets at beginning of year	1,129,442	25,343	158,527	1,313,312
NET ASSETS AT END OF YEAR	**$ 1,065,082**	**$ 27,548**	**$ 166,255**	**$1,258,885**

The accompanying notes are an integral part of the financial statements.

YEARS ENDED JUNE 30, 2002 AND 2001

Thousands of Dollars	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	$ (59,295)	$ (54,427)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	34,610	33,198
Realized (gains) losses on investments	31,572	(57,733)
Unrealized change in fair value of investments	32,904	113,378
Gifts of property and equipment	(1,870)	(1,742)
Contributions restricted for investment	(15,697)	(6,954)
Net change in operating assets and liabilities	(176)	10,081
Net cash provided by operating activities	22,048	35,801
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans to students	(5,984)	(4,613)
Repayment of loans by students	4,723	4,399
Purchases of investments	(1,684,413)	(1,793,958)
Sales and maturities of investments	1,717,834	1,825,131
Purchases of land, land improvements, buildings, equipment, and collections	(41,598)	(67,637)
Net cash used for investing activities	(9,438)	(36,678)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for investment	15,697	6,954
Payment of long-term debt principal	(1,324)	(1,324)
Government advances for student loan programs	605	597
Net cash provided by financing activities	14,978	6,227
Net increase in cash and cash equivalents	27,588	5,350
Cash and cash equivalents at beginning of year	22,583	17,233
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 50,171**	**$ 22,583**

The accompanying notes are an integral part of the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared using accrual accounting, and include the accounts of Drumlins, Inc., S. U. Press, Inc., and the Syracuse University Hotel and Conference Center, LLC.

Net Asset Classes

The accompanying financial statements present information regarding the University's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The three classes are differentiated by donor restrictions.

Unrestricted net assets may be designated for specific purposes by the University or may be limited by contractual agreements with outside parties. Unrestricted net assets include operating, plant, and designated plant and endowment funds.

Temporarily restricted net assets are subject to donor stipulations that expire by the passage of time or can be fulfilled or removed by actions pursuant to the stipulations. Temporarily restricted net assets consist principally of gifts restricted by donors for capital projects and other operating purposes, and unconditional pledges receivable that are not permanently restricted.

Permanently restricted net assets are subject to donor stipulations requiring that they be maintained permanently, thereby restricting the use of principal. Usually, donor stipulations allow part or all of the income earned to be used currently for a designated purpose. Permanently restricted net assets consist principally of permanent endowment principal balances, including unconditional pledges.

Contributions

Contributions, including unconditional pledges, are recognized as revenues when donors' commitments are received. Conditional pledges become unconditional and are recognized as revenues when the conditions are substantially met. Unconditional pledges, net of an allowance for uncollectible amounts, are recognized at their estimated net present value, and are classified as either permanently restricted or temporarily restricted. Gifts whose restrictions are met in the same fiscal year as their receipt are combined with unrestricted gifts and reported as unrestricted contribution revenues.

Investments

Investments are recorded using trade date fair values, and are reported at fair value. Realized gains and losses and the unrealized change in fair value of investments are reported separately in the statements of activities.

Land, Land Improvements, Buildings, Equipment, and Collections

Land, land improvements, buildings, equipment, and the library collection are stated at cost or fair value at date of donation, exclusive of the library's special collection, which is recorded at the University's estimate. The art collection is recorded at a capitalized appraised value adjusted for subsequent fair value additions and deletions. Depreciation is recognized using the straight-line method with useful lives of twenty or forty years for buildings, five years for equipment, ten years for library collections, excluding special collections, and one hundred years for art and library special collections. Depreciation expense is included in the statements of activities and allocated to functional classifications based on square footage.

Allocation of Certain Expenses

The statements of activities present expenses by functional classification. Operation and maintenance of plant is allocated based on square footage. Interest expense is allocated to the functional classifications that benefited from the use of the proceeds of the debt.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash investments with a maturity date of three months or less are reported as cash equivalents, unless they are part of long-term investment funds.

Loans to Students

The approximate fair value of loans to students is not reported because it is not practicable to determine.

Tax Status

The University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes.

2. PLEDGES AND BEQUESTS RECEIVABLE

Unconditional pledges and matured bequests at June 30 are restricted by donors predominately for scholarships and other operating purposes. They are expected to be realized in the following periods (shown at right):

Thousands of Dollars	2002	2001
Less than one year	$ 9,856	$ 12,960
One year to five years	10,591	9,958
More than five years	8,134	4,007
	28,581	26,925
Allowance for uncollectibility	(4,106)	(4,384)
Present value discount	(5,191)	(3,395)
Total	**$ 19,284**	**$ 19,146**

3. INVESTMENTS

The cost and fair value of investments at June 30 is as follows:

	2002		2001	
Thousands of Dollars	Cost	Fair Value	Cost	Fair Value
Fixed income	$ 293,202	$ 295,945	$ 326,309	$ 328,406
Equities	483,256	477,354	558,714	586,389
Other	75,199	75,199	31,874	31,874
Total	**$ 851,657**	**$ 848,498**	**$ 916,897**	**$ 946,669**

The University has investment commitments of approximately $83.1 million at June 30, 2002 to private equity partnerships.

At June 30, 2002, the University has approximately $10.6 million of foreign currency forward contracts outstanding that are used to manage exchange rate risks associated with its programs abroad.

Other information regarding investments at June 30 is as follows:

	2002		2001
	Pool #1	Pool #2	Pool #1 (only)
Pooled long-term investments	$ 618.8 million	$ 13.5 million	$ 705.2 million
Unit fair value for long-term investment pool transactions	$ 398.07	$ 396.84	$ 467.35
Annual distribution per unit	$ 22.12	$ 22.12	$ 20.37
Pooled long-term investment distribution	$ 41.4 million	$ .7 million	$ 32.9 million

3. INVESTMENTS (Continued)

The investment distribution from Pool #1 included $7.3 million that was used to fund academic initiatives and fund raising expenditures. Pool #2 was established in fiscal 2002 within the long-term investment fund to segregate the underlying assets that support restricted endowments whose accumulated gains are classified as temporarily restricted, and therefore, may not be used to fund any of the $7.3 million of expenditures.

4. LAND, LAND IMPROVEMENTS, BUILDINGS, EQUIPMENT, AND COLLECTIONS

The following is a summary of land, land improvements, buildings, equipment, and collections at June 30:

Thousands of Dollars	2002	2001
Land and land improvements	$ 45,186	$ 42,575
Buildings and building equipment	681,104	652,829
Equipment	64,607	65,430
Library and art collections	164,049	157,481
	954,946	918,315
Accumulated depreciation	(432,404)	(405,029)
Total	**$ 522,542**	**$ 513,286**

5. LONG-TERM DEBT

Long-term debt outstanding at June 30 is set forth below:

Thousands of Dollars	Calendar Year of Maturity	2002	2001
Industrial Development Agency - Civic Facility Variable Rate Revenue Bonds Series 1999A and 1999B (a)	2029	$ 120,000	$ 120,000
New York State Urban Development Corporation - mortgage payable (b)	2026	16,200	16,875
Other (c)	various	1,659	2,308
Total		**$ 137,859**	**$ 139,183**

(a) "PARS" (Periodic Auction Reset Securities) bonds that have their interest rates set at weekly auctions. The interest rates at June 30, 2002 were 1.3%. The University makes weekly payments of the interest to the bondholders through the trustee. At its option, the University may make prepayments of principal, and is required to pay any remaining principal balance on December 1, 2029, the maturity date of the bonds.

(b) Interest-free mortgage loan amortized at the rate of $675,000 annually and collateralized by the Science and Technology facility.

(c) Interest-free loans issued by the New York Power Authority for the University's energy conservation projects.

Aggregate maturities of long-term debt for each of the next five fiscal years are as follows: fiscal 2003 and fiscal 2004 – $1.3 million, fiscal 2005 – $.8 million and fiscal 2006 and fiscal 2007 – $.7 million. In fiscal 2002 net interest expense and commissions of $2.2 million was incurred. The fair value of the University's long-term debt at June 30, 2002 approximates carrying value.

6. RETIREMENT PLANS

Full-time and regular part-time employees of the University may be eligible for the University's defined contribution plan. The amounts contributed by the University to the Teachers Insurance and Annuity Association and College Retirement Equities Fund in fiscal 2002 and 2001 were approximately $18.9 million and $17.3 million, respectively.

The University also provides health and life insurance benefits for eligible employees upon retirement at the University's early or normal retirement ages. Information with respect to the plans is as follows:

Thousands of Dollars	**2002**	**2001**
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	$ 30,958	$ 28,913
Service cost	2,250	1,620
Interest cost	2,508	1,968
Plan participants' contributions	127	98
Actuarial (gain)/loss	5,836	(49)
Benefits paid	(2,042)	(1,592)
Benefit obligation at end of year	**$ 39,637**	**$ 30,958**
COMPONENTS OF ACCRUED BENEFIT COST		
Funded status	$ 39,637	$ 30,958
Unrecognized prior service cost	(410)	(615)
Unrecognized actuarial net loss	(5,722)	(141)
Accrued benefit cost	**$ 33,505**	**$ 30,202**
Weighted average discount rate as of June 30	**7.0%**	**7.0%**
COMPONENTS OF NET PERIODIC BENEFIT COST		
Service cost	$ 2,250	$ 1,620
Interest cost	2,508	1,968
Amortization of unrecognized prior service cost	350	204
Net periodic benefit cost	**$ 5,108**	**$ 3,792**

6. RETIREMENT PLANS (Continued)

For measurement purposes, a 7% and an 11% annual rate of increase in the per capita cost of covered health care and prescription drug benefits, respectively, was assumed for fiscal 2002. These rates were assumed to decrease to 5% for 2010 and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. Based on actuarial calculations, it is estimated that a one-percentage-point change in the health care trend rate would have the following effects:

Thousands of Dollars	1–Percentage Point Increase	1–Percentage Point (Decrease)
Effect on total of service and interest cost components	$ 648	$ (568)
Effect on postretirement benefit obligation	$ 4,399	$ (3,926)

SYRACUSE UNIVERSITY