SYRACUSE UNIVERSITY

2003 Financial Report

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.

As I contemplate my final academic year as Chancellor of Syracuse University, I look forward to making further progress in the three areas that are critical to the institution's future: the Academic Plan, the Space Plan, and fund raising.

Announced three years ago, the Academic Plan challenges us to excel in four areas that the University community collectively regards as key to future success: information management and technology, environmental systems and quality, collaborative design, and citizenship and governance. In addition, it asks us to enrich the undergraduate experience by integrating theory and practice, blending liberal arts and professional studies, emphasizing internationalization and inclusion, and stressing excellent writing. We are making headway in all these areas, stimulating unprecedented collaboration among faculty and staff and increasing the number of students who persist through graduation, among other milestones.

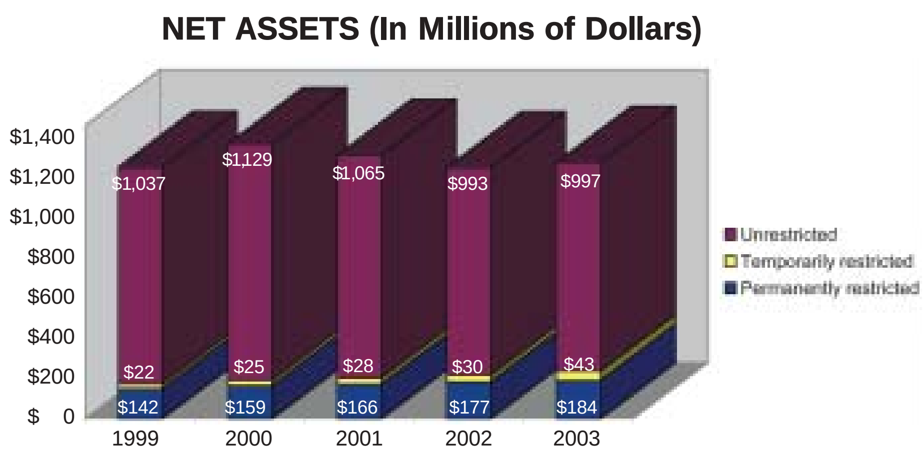
The Space Plan calls on us to reconfigure the campus with new construction and substantive renovations to meet both current and future needs. The first of the new academic buildings—a home for the Martin J. Whitman School of Management—is expected by January 2005. Other projects are the renovation of Hinds Hall for the School of Information Studies (completed by winter 2005), the design and construction of the third S.I. Newhouse School of Public Communications building (completed in 2006), the design and construction of the life sciences addition to the Center for Science and Technology (completed by summer 2007), and the renovation of Slocum Hall for the School of Architecture (completed by 2009).

Supporting all of these achievements and many more for the future is a fund-raising effort like nothing the University has ever seen. It will be difficult and demanding, of course, but we must raise the funds that will make our aspirations a reality. I am confident of success because I know it's possible. This past fiscal year is a case in point: For the first time we posted more than $70 million in gifts and pledges in a single year. Thanks to very generous donors—some of whom made gifts in the eight- and seven-figure amounts—and to the significant increase in corporate matching gifts, we look to a future that is bright indeed.

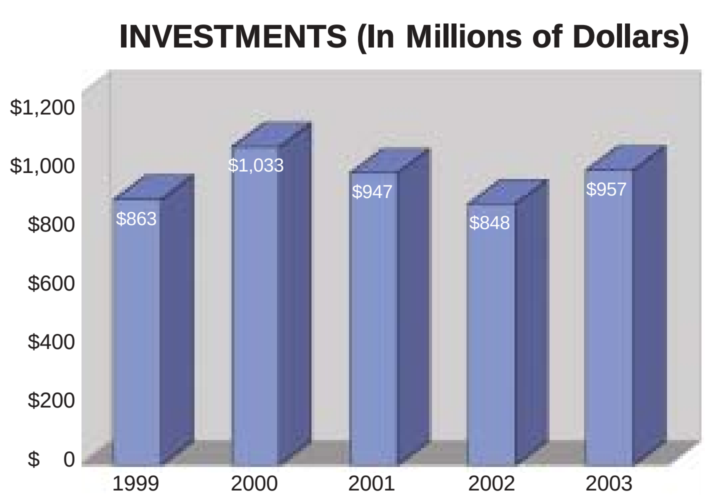
Kenneth A. Shaw
Chancellor and President

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

At June 30, 2003 net assets were approximately $1.2 billion. The June 30 balance for each class of net assets for the five most recently completed fiscal years is set forth below:



Investments have a fair value in excess of $950 million. The total fair value of investments at June 30 for the five most recently completed fiscal years is presented below:



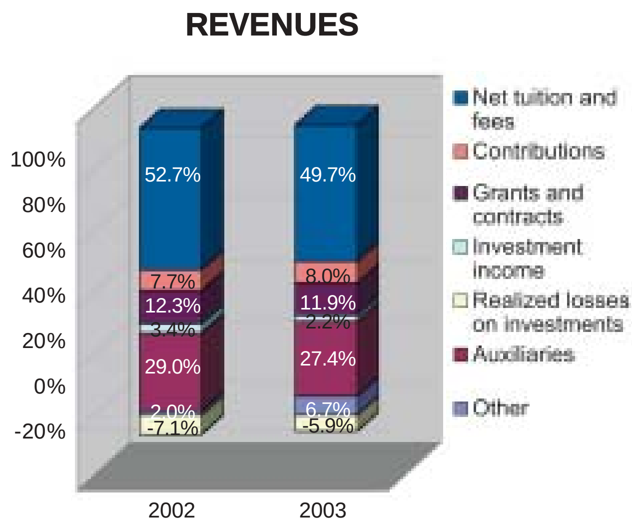
The asset allocation of investments at fair value at June 30, 2003, was 42.0% fixed income, 49.8% equities, and, 8.2% other.

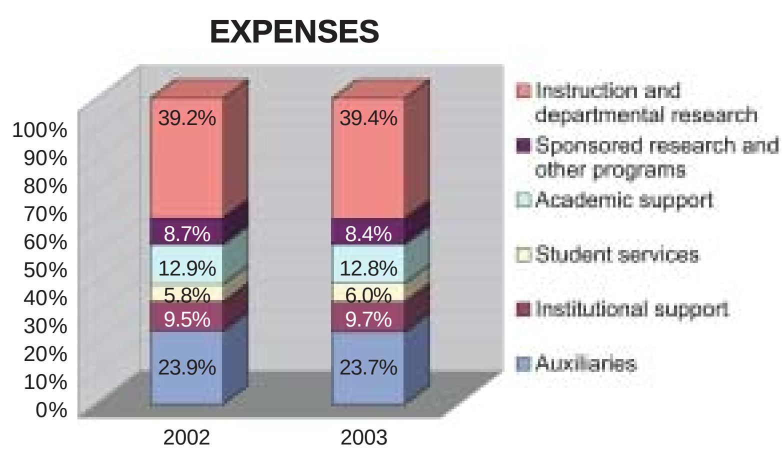
During fiscal year 2003, the University purchased endowment fund units with a value of approximately $2.0 million for its “underwater” permanent endowment funds. Also, the University decreased its pooled long-term investment distribution per unit for Pool #1 by .9% to $21.93 per unit, and increased its pooled long-term investment distribution per unit for Pool #2 by .4% to $22.21 per unit. It will decrease the distribution per unit for Pool #1 by approximately 9.6% for fiscal year 2004 to $19.82 per unit, and will decrease the distribution per unit for Pool #2 by approximately 8.5% for fiscal year 2004 to $20.32 per unit.

Variances in the University's fiscal years 2003 and 2002 balance sheets for accounts receivables and payables principally resulted from the impacts of pending investment purchases and sales, and collateral for the University's securities lending program.

Fiscal year 2003 was another positive year of well planned and controlled spending and achievement of strengthened University financial position.

For fiscal years 2003 and 2002 the revenue amounts as percentages of total revenues, and the expense amounts as percentages of total expenses, were as follows:

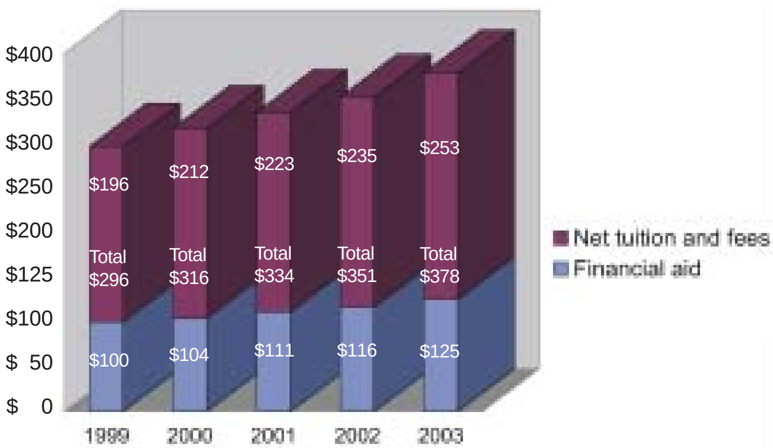




Tuition and fees totaled $378.0 million. Financial aid as a percentage of tuition and fees increased by .1% to 33.1%, and current year net tuition and fees represented 49.7% of the University's total revenues.

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

TUITION AND FEES (In Millions of Dollars)



The variance in the University's statements of activities for fiscal years 2003 and 2002 for other revenues resulted from reduction of reserves.

During fiscal year 2003, the net total of realized losses and of the unrealized change in fair value of University investments was approximately $3.7 million.

For fiscal year 2004, the University's operating budget is expected to increase by approximately 4.5% from its fiscal year 2003 operating budget.

Capitalized land, land improvements, buildings, equipment, and collections expenditures totaled approximately $45.7 million, and included spending for the acquisition and renovation of 200 Walnut Place for the Student Affairs Counseling Center program; the continuation of the design and construction phases of the University Avenue Garage; the design phase for the new Martin J. Whitman School of Management building; the renovation of Hinds Hall for the School of Information Studies and Slocum Hall for the School of Architecture; the Chilled Water Plant addition; the construction of the South Campus Welcome Center; the commencement of the Orange Grove and the Hookway Fields projects; the renovation of Lubin House; the functional improvements in Bowne Hall, Carnegie Library, the Center for Science and Technology, Graham Bookstore, Schine Student Services Offices, Eggers Hall, and Sadler Dining Hall; the roof replacement and preventive maintenance for Skytop II apartments, Flint Hall, and the Day Care Center; the structural and exterior masonry maintenance for Crouse College and the Tolley Administration Building; the sprinkler system installations in Kimmel Hall, Marion Hall, Sadler Hall, and Flint Hall; the elevator upgrades in Washington Arms, Marion Hall, and Slocum Hall; the mechanical, electrical, and utility systems upgrades at South Campus, the Carrier Dome, Crouse College, the Tolley Administration Building, Booth Hall, Brockway Hall, Dellplain Hall, Sadler Hall, the Archbold Gymnasium, and Washington Arms; the replacement of the steam line serving Steele Hall; and the site-work improvements between the Maxwell complex and Crouse College, and at Slocum Heights.

Outstanding financial planning and management services continue to be an important contributor in support of the University's mission and vision, and principally 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

Management is responsible for the integrity and objectivity of the consolidated financial statements of Syracuse University. The statements have been prepared in accordance with accounting principles generally accepted in the United States of America, and include certain estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Management fulfills its responsibility primarily by establishing and maintaining an internal control structure that is designed to provide reasonable assurance that the University's assets are safeguarded, transactions are executed in accordance with management's authorization, and that the University's financial records may be relied upon for the purpose of preparing financial statements and related disclosures. That system is monitored and assessed by direct management review and by the University's Audit and Management Advisory Services department. In addition, the University recognizes its responsibility for conducting its affairs according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in key policy statements issued from time to time regarding, among other things, conduct of its business activities, a code of ethics for the University's senior financial officers, and disclosure and management of potential conflicts of interest by its trustees and employees. Accordingly, the University maintains programs to assess compliance with those policies.

The University's Board of Trustees Audit Committee appointed PricewaterhouseCoopers LLP as its independent auditors to audit the University's consolidated financial statements. Their accompanying report is based on audit procedures conducted in accordance with auditing standards generally accepted in the United States of America, which include the consideration of the University's internal controls to establish a basis for determining the nature, timing, and extent of audit tests to be applied. The independent auditors were given unrestricted access to financial records and related data, including minutes of trustees meetings.

The Audit Committee of the Board of Trustees, which consists of trustees who are neither officers nor employees of the University, is responsible for the oversight of the work performed by the independent auditors, oversight of the work performed by the Audit and Management Advisory Services department, as well as overseeing the University's internal control systems and financial reporting processes. The Audit Committee meets with financial management, the independent auditors, and the Director of the Audit and Management Advisory Services department to review financial reporting, internal accounting controls, and auditing matters. Both the independent auditors and the Director of the Audit and Management Advisory Services department have direct and private access to the Audit Committee.

Kenneth A. Shaw
Chancellor and President

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, 2003 and 2002, 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, 2003

JUNE 30, 2003 AND 2002

In Thousands of Dollars	2003	2002
ASSETS		
Cash and cash equivalents	$ 20,834	$ 50,171
Accounts receivable (less allowance for doubtful accounts of $7.8 million and $7.2 million for 2003 and 2002, respectively)	112,833	14,567
Pledges and bequests receivable	28,664	19,284
Inventories and other assets	19,795	18,509
Loans to students (less allowance for doubtful accounts of $1.0 million for 2003 and 2002, respectively)	27,306	27,742
Investments	956,810	848,498
Land, land improvements, buildings, equipment, and collections	535,884	522,542
TOTAL ASSETS	**$ 1,702,126**	**$ 1,501,313**
LIABILITIES		
Accounts payable and accrued liabilities	$ 217,379	$ 62,214
Deposits and deferred revenues	43,725	42,496
Accrued postretirement benefits	37,504	33,505
Refundable government student loan funds	26,110	25,649
Long-term debt	153,119	137,859
Total liabilities	477,837	301,723
NET ASSETS		
Unrestricted	997,318	992,925
Temporarily restricted	43,443	29,871
Permanently restricted	183,528	176,794
Total net assets	1,224,289	1,199,590
TOTAL LIABILITIES AND NET ASSETS	**$ 1,702,126**	**$ 1,501,313**

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

YEAR ENDED JUNE 30, 2003
With Comparative Totals for Year Ended June 30, 2002

In Thousands of Dollars	Unrestricted	Temporarily Restricted	Permanently Restricted	2003 Total	2002 Total
REVENUES					
Tuition and fees	$ 378,003			$ 378,003	$ 350,519
Less: Financial aid	125,198			125,198	115,654
Net tuition and fees	252,805			252,805	234,865
Contributions	18,009	$ 16,694	$ 5,734	40,437	34,447
Grants and contracts	60,356			60,356	54,964
Investment income	8,818	751	1,547	11,116	15,046
Realized gains (losses) on investments	(29,670)	25	(458)	(30,103)	(31,572)
Auxiliaries	139,358			139,358	129,184
Other	38,849	(4,338)		34,511	8,493
Total revenues	488,525	13,132	6,823	508,480	445,427
EXPENSES					
Instruction and departmental research	204,136			204,136	185,025
Sponsored research and other programs	43,585			43,585	41,017
Academic support	66,406			66,406	60,959
Student services	31,065			31,065	27,403
Institutional support	50,454			50,454	44,664
Auxiliaries	121,894			121,894	112,750
Total expenses	517,540			517,540	471,818
Increase (decrease) in net assets before unrealized change in fair value of investments	(29,015)	13,132	6,823	(9,060)	(26,391)
Unrealized change in fair value of investments	33,408	440	(89)	33,759	(32,904)
Increase (decrease) in net assets	4,393	13,572	6,734	24,699	(59,295)
Net assets at beginning of year	992,925	29,871	176,794	1,199,590	1,258,885
NET ASSETS AT END OF YEAR	**$ 997,318**	**$ 43,443**	**$ 183,528**	**$1,224,289**	**$1,199,590**

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

YEAR ENDED JUNE 30, 2002

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

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

YEARS ENDED JUNE 30, 2003 AND 2002

In Thousands of Dollars	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	$ 24,699	$ (59,295)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	35,420	34,610
Realized losses on investments	30,103	31,572
Unrealized change in fair value of investments	(33,759)	32,904
Gifts of property and equipment	(2,588)	(1,870)
Contributions restricted for investment	(21,429)	(15,697)
Net change in operating assets and liabilities	51,307	(176)
Net cash provided by operating activities	83,753	22,048
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans to students	(5,507)	(5,984)
Repayment of loans by students	5,943	4,723
Purchases of investments	(1,533,309)	(1,684,413)
Sales and maturities of investments	1,428,303	1,717,834
Purchases of land, land improvements, buildings, equipment, and collections	(45,670)	(41,598)
Net cash used for investing activities	(150,240)	(9,438)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for investment	21,429	15,697
Proceeds from issuance of long-term debt	17,300	
Payments of long-term debt principal	(2,040)	(1,324)
Government advances for student loan programs	461	605
Net cash provided by financing activities	37,150	14,978
Net increase (decrease) in cash and cash equivalents	(29,337)	27,588
CASH AND CASH EQUIVALENTS		
Beginning of year	50,171	22,583
End of year	**$ 20,834**	**$ 50,171**

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 Syracuse University, 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.

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.

Investments

Investments are recorded on a trade date basis, and are reported at fair value. Realized gains and losses and the unrealized change in fair value of investments are reported separately in the statement 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 20 or 40 years for buildings, 5 years for equipment, 10 years for library collections, excluding special collections, and 100 years for art and library special collections. Depreciation expense is included in the statement of activities and allocated to functional classifications based on square footage.

Allocation of Certain Expenses

The statement of activities presents 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.

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):

In Thousands of Dollars	2003	2002
Less than one year	$ 9,848	$ 9,856
One year to five years	16,915	10,591
More than five years	14,864	8,134
	41,627	28,581
Allowance for uncollectibility	(4,893)	(4,106)
Present value discount	(8,070)	(5,191)
Total	**$ 28,664**	**$ 19,284**

3. INVESTMENTS

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

	2003		2002	
In Thousands of Dollars	Cost	Fair Value	Cost	Fair Value
Fixed income	$ 394,882	$ 401,484	$ 293,202	$ 295,945
Equities	456,773	476,626	483,256	477,354
Other	74,758	78,700	75,199	75,199
Total	**$ 926,413**	**$ 956,810**	**$ 851,657**	**$ 848,498**

The major asset classes in which the University's long-term investments are invested are U.S. equity, non-U.S. equity, fixed income, hedge fund, and private equity. Within each asset class, the University achieves further diversification through allocations to several investment strategies and market capitalizations.

The University has investment commitments of approximately $71.0 million at June 30, 2003, to private equity partnerships.

At June 30, 2003, the University has approximately $13.6 million of foreign currency forward contracts outstanding that are being used to manage exchange rate risks associated with its programs abroad.

Other information regarding investments at June 30 is as follows:

	2003		2002	
	Pool #1	Pool #2	Pool #1	Pool #2
Pooled long-term investments	$618.3 million	$13.8 million	$618.8 million	$13.5 million
Unit fair value for long-term investment pool transactions	$ 386.86	$ 406.93	$ 398.07	$ 396.84
Annual distribution per unit	$ 21.93	$ 22.21	$ 22.12	$ 22.12
Pooled long-term investment distribution	$ 42.2 million	$ .8 million	$ 41.4 million	$ .7 million

3. INVESTMENTS (Continued)

The University's spending policy for its long-term investment funds is based on the total return concept. Under that concept, interest, dividends, and a portion of appreciation are distributed each year. The annual distribution rate per unit for each long-term investment fund is based on its average monthly market value during the previous three fiscal years.

The investment distribution from Pool #1 included $7.4 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 $7.4 million of expenditures.

As of June 30, 2003, the University had loaned certain securities, returnable on demand, with a fair value of approximately $34.5 million, to several financial institutions that have deposited collateral of $35.7 million with respect to such securities. The University receives income from the invested collateral and interest and dividends from the securities on loan.

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

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

In Thousands of Dollars	2003	2002
Land and land improvements	$ 45,601	$ 45,186
Buildings and building equipment	712,247	681,104
Equipment	67,012	64,607
Library and art collections	170,758	164,049
	995,618	954,946
Accumulated depreciation	(459,734)	(432,404)
Total	**$ 535,884**	**$ 522,542**

5. LONG-TERM DEBT

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

In Thousands of Dollars	Calendar Year of Maturity	2003	2002
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	15,525	16,200
Bank Loans (c)	2009	16,583	-
Other (d)	various	1,011	1,659
Total		**$ 153,119**	**$ 137,859**

(a) "PARS" (Periodic Auction Reset Securities) bonds that have their interest rates set at weekly auctions. The interest rates at June 30, 2003 were .85% for Series 1999A and .90% for Series 1999B. 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 University's Science and Technology facility.
(c) Drumlins, Inc. and Syracuse University Hotel and Conference Center, LLC on August 5, 2002, entered into loan agreements with JPMorgan Chase Bank. The loans bear interest at a rate per annum equal to the adjusted LIBOR rate for the applicable interest period plus .55%.
(d) 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 2004 - $2.2 million, fiscal 2005 - $1.7 million, fiscal 2006 - $1.6 million, fiscal 2007 - $1.4 million, and fiscal 2008 - $1.4 million. In fiscal 2003 net interest expense and commissions totaled $2.2 million. The fair value of the University's long-term debt at June 30, 2003, approximates its 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 2003 and 2002 were approximately $20.6 million and $18.9 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:

In Thousands of Dollars	2003	2002
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	$ 39,637	$ 30,958
Service cost	2,674	2,250
Interest cost	2,942	2,508
Plan participants' contributions	137	127
Amendments/curtailments/special termination	533	-
Actuarial loss	23,886	5,836
Benefits paid	(2,281)	(2,042)
Benefit obligation at end of year	**$ 67,528**	**$ 39,637**
COMPONENTS OF ACCRUED BENEFIT COST		
Funded status	$ 67,528	$ 39,637
Unrecognized prior service cost	(689)	(410)
Unrecognized actuarial net loss	(29,335)	(5,722)
Accrued benefit cost	**$ 37,504**	**$ 33,505**
Weighted average discount rate as of June 30	**5.5%**	**7.0%**
COMPONENTS OF NET PERIODIC BENEFIT COST		
Service cost	$ 2,674	$ 2,250
Interest cost	2,942	2,508
Amortization of unrecognized prior service cost	527	350
Net periodic benefit cost	**$ 6,143**	**$ 5,108**

For measurement purposes, a 12.0% and a 15.0% annual rate of increase in the per capita cost of covered health care and prescription drug benefits, respectively, was assumed as of June 30, 2003. These rates were assumed to decrease to 5.0% for 2014 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:

In Thousands of Dollars	1-Percentage Point Increase	1-Percentage Point (Decrease)
Effect on total of service and interest cost components	$ 773	$ (678)
Effect on postretirement benefit obligation	$ 7,643	$ (6,819)

SYRACUSE UNIVERSITY