SYRACUSE UNIVERSITY

2004 Financial Report

Photography by emanphoto.com

TABLE OF CONTENTS

The more deeply acquainted I become with all aspects of Syracuse University, the more I am impressed by the advances made under the leadership of SU's 10th Chancellor, Kenneth A. Shaw. I am privileged to be taking over at a time when we have so much to be proud of, and delighted that we have so much to look forward to.

The following items illustrate the stellar progress made under Shaw's leadership, and serve as a solid foundation for our continued growth:

- Our efforts to support high-quality students through financial aid are substantial. Today, we allocate more than $85 million annually for this purpose.

- Our endowment and cash investments have grown to more than $1 billion. These funds are returned to the institution at an annual rate of $43 million in support of program excellence.

- The number of research grants and contracts has shown dramatic growth. For faculty members who currently receive external funding, the average grant is more than $200,000.

- Our faculty is more diverse than ever before. Nearly 17 percent are people of color. More than a third of our faculty members are women.

- The quality of our student body is increasingly impressive. Nearly 45 percent of our students come from the top 10 percent of their high school classes. Approximately 81 percent of our students graduate.

These milestones are a testament to the dedicated efforts of Chancellor Shaw and his leadership team. Thanks to those efforts, we stand on firm financial ground, poised for continued success. Throughout the coming year, we will be "Exploring the Soul of Syracuse." I invite you to join us in that exploration, and to share in our vibrant, exciting future.

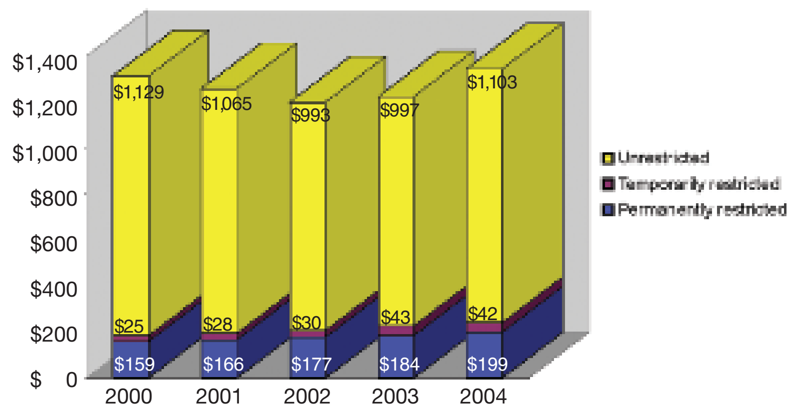
Nancy Cantor
Chancellor and President

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

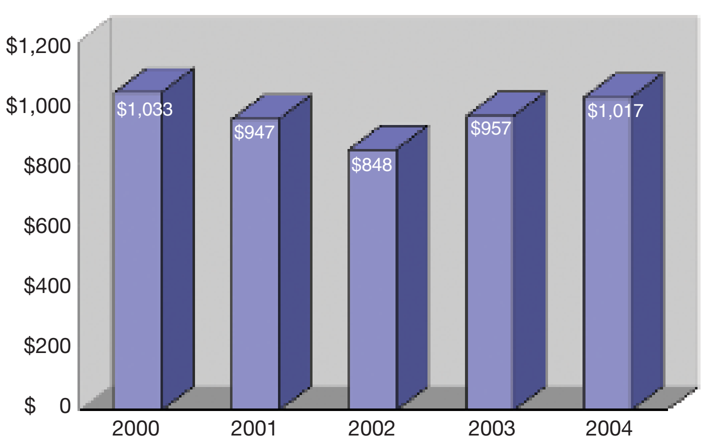
Fiscal year 2004 was another positive year of well-planned and controlled financial management and achievement of strengthened University financial position.

The University's net assets reached approximately $1.3 billion, and the June 30 balance for each class of net assets, for the five most recently completed fiscal years, is set forth below:

NET ASSETS (In Millions of Dollars)



INVESTMENTS (In Millions of Dollars)

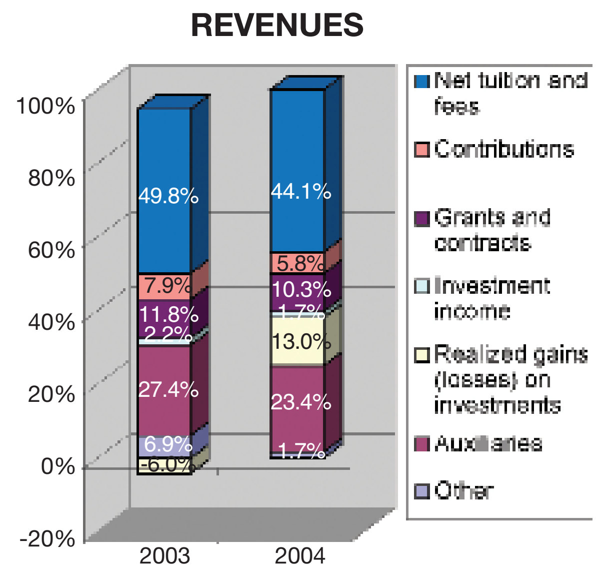


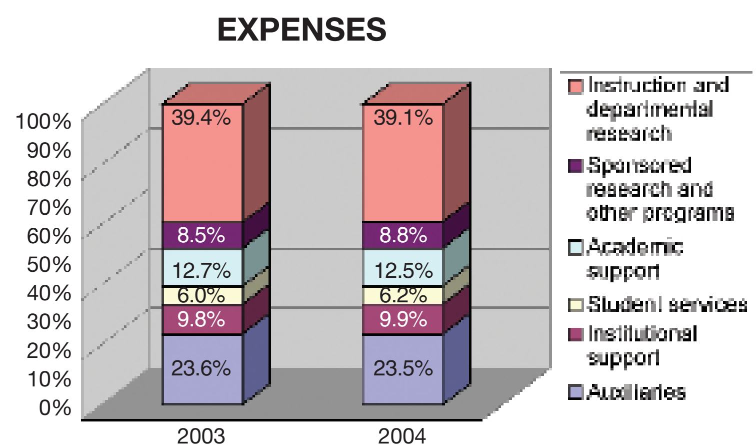
Investments have a fair value in excess of $1.0 billion. The total fair value of investments at June 30, for the five most recently completed fiscal years, is presented at left:

The asset allocation of investments at fair value at June 30, 2004, was 34.0% fixed income, 56.8% equities, and 9.2% other.

The University decreased its pooled long-term investment distribution per unit for Pool #1 by 9.6% to $19.82 per unit, and decreased its pooled long-term investment distribution per unit for Pool #2 by 8.5% to $20.32 per unit. It will decrease the distribution per unit for Pool #1 by approximately 6.4% for fiscal year 2005 to $18.56 per unit, and will decrease the distribution per unit for Pool #2 by approximately 5.0% for fiscal year 2005 to $19.31 per unit.

For fiscal years 2004 and 2003, the revenue amounts as percentages of total revenues, and the expense amounts as percentages of total expenses, are presented at right:

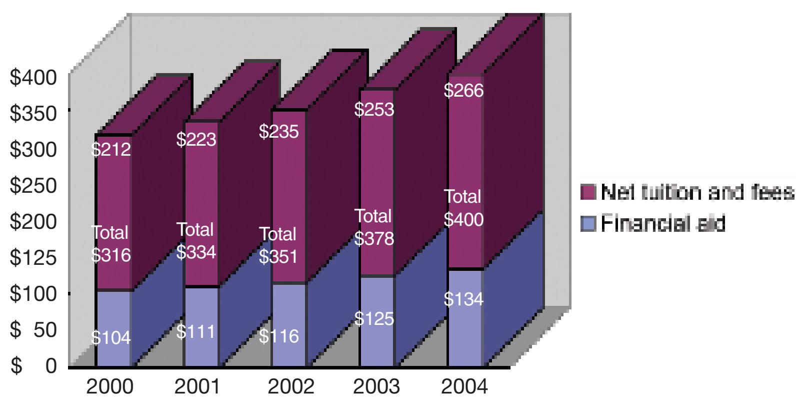




Tuition and fees totaled $399.8 million. Financial aid as a percentage of tuition and fees increased by .5% to 33.6%, and current year net tuition and fees represented 44.0% of the University's total revenues.

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 notable variance in the University's statements of activities for fiscal years 2004 and 2003 was that the net total of realized gains and of the unrealized change in fair value of University investments was approximately $130.3 million for June 30, 2004 as compared to approximately $3.7 million for June 30, 2003.

For fiscal year 2005, the University's operating budget is expected to increase by approximately 4.2% to $746.0 million.

The commitment continues to maintain campus buildings, infrastructures, and grounds at a quality level. Accordingly, capitalized land, land improvements, buildings, equipment, and collections expenditures totaled approximately $56.0 million. This figure includes spending for the completion of the University Avenue Parking Garage; construction of the new Martin J. Whitman School of Management building; design of Slocum Hall renovations; design and construction of Hinds Hall, Link Hall, and Center for Science and Technology renovations; design of the Life Sciences building; relocation of WAER to Haft Hall; installation of residence hall sprinkler systems; restoration of Crouse College exterior masonry; construction of the Hookway playing fields, the Orange Grove, and the

Eggers Hall Global Collaboratory; stabilization of Tolley Administration Building masonry; replacement of the Manley Field House running surface; improvements to South Campus paving and landscaping; renovations to the Goldstein Alumni and Faculty Center dining facility; installation of emergency generators on campus; and design of the Newhouse III building.

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 Emeritus

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, 2004 and 2003, 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, 2004

JUNE 30, 2004 AND 2003

In Thousands of Dollars	2004	2003
ASSETS		
Cash and cash equivalents	$ 13,246	$ 20,834
Loaned securities and pending securities sales	98,350	96,553
Accounts receivable (less allowance for doubtful accounts of $8.6 million and $7.8 million for 2004 and 2003, respectively)	15,662	16,280
Pledges and bequests receivable	27,983	28,664
Inventories and other assets	21,646	19,795
Loans to students (less allowance for doubtful accounts of $1.0 million for 2004 and 2003)	26,806	27,306
Investments	1,017,432	956,810
Land, land improvements, buildings, equipment, and collections	557,602	535,884
TOTAL ASSETS	**$ 1,778,727**	**$ 1,702,126**
LIABILITIES		
Loaned securities and pending securities purchases	$ 120,056	$ 168,954
Accounts payable and accrued liabilities	52,812	48,425
Deposits and deferred revenues	43,442	43,725
Accrued postretirement benefits	42,474	37,504
Refundable government student loan funds	25,832	26,110
Long-term debt	150,529	153,119
Total liabilities	435,145	477,837
NET ASSETS		
Unrestricted	1,103,048	997,318
Temporarily restricted	42,157	43,443
Permanently restricted	198,377	183,528
Total net assets	1,343,582	1,224,289
TOTAL LIABILITIES AND NET ASSETS	**$ 1,778,727**	**$ 1,702,126**

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

YEAR ENDED JUNE 30, 2004
With Comparative Totals for Year Ended June 30, 2003

In Thousands of Dollars	Unrestricted	Temporarily Restricted	Permanently Restricted	2004 Total	2003 Total
REVENUES					
Tuition and fees	$ 399,757			$ 399,757	$ 378,003
Less: Financial aid	134,179			134,179	125,198
Net tuition and fees	265,578			265,578	252,805
Contributions	17,237	$ 7,613	$ 10,194	35,044	40,437
Grants and contracts	61,897			61,897	60,356
Investment income	7,961	423	1,485	9,869	11,116
Realized gains (losses) on investments	76,378	(236)	3,219	79,361	(30,103)
Auxiliaries	140,714			140,714	139,358
Other	21,059	(10,379)		10,680	34,511
Total revenues	590,824	(2,579)	14,898	603,143	508,480
EXPENSES					
Instruction and departmental research	208,871			208,871	204,136
Sponsored research and other programs	47,117			47,117	43,585
Academic support	66,504			66,504	66,406
Student services	32,933			32,933	31,065
Institutional support	53,145			53,145	50,454
Auxiliaries	126,261			126,261	121,894
Total expenses	534,831			534,831	517,540
Increase (decrease) in net assets before unrealized change in fair value of investments	55,993	(2,579)	14,898	68,312	(9,060)
Unrealized change in fair value of investments	49,737	1,293	(49)	50,981	33,759
Increase (decrease) in net assets	105,730	(1,286)	14,849	119,293	24,699
Net assets at beginning of year	997,318	43,443	183,528	1,224,289	1,199,590
NET ASSETS AT END OF YEAR	**$ 1,103,048**	**$ 42,157**	**$ 198,377**	**$ 1,343,582**	**$ 1,224,289**

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

YEAR ENDED JUNE 30, 2003

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

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

YEARS ENDED JUNE 30, 2004 AND 2003

In Thousands of Dollars	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	$ 119,293	$ 24,699
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	36,273	35,420
Realized (gains) losses on investments	(79,361)	30,103
Unrealized change in fair value of investments	(50,981)	(33,759)
Gifts of property and equipment	(1,381)	(2,588)
Contributions restricted for investment	(17,486)	(21,429)
Net change in operating assets and liabilities	(44,977)	51,307
Net cash (used in) provided by operating activities	(38,620)	83,753
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans to students	(6,951)	(5,507)
Repayment of loans by students	7,451	5,943
Purchases of investments	(1,412,100)	(1,533,309)
Sales and maturities of investments	1,481,331	1,428,303
Purchases of land, land improvements, buildings, equipment, and collections	(53,317)	(45,670)
Net cash provided by (used in) investing activities	16,414	(150,240)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for investment	17,486	21,429
Proceeds from issuance of long-term debt	-	17,300
Payments of long-term debt principal	(2,590)	(2,040)
Government advances for student loan programs	(278)	461
Net cash provided by financing activities	14,618	37,150
Net decrease in cash and cash equivalents	(7,588)	(29,337)
CASH AND CASH EQUIVALENTS		
Beginning of year	20,834	50,171
End of year	**$ 13,246**	**$ 20,834**

NON-CASH ACTIVITY

Capital asset purchases included in accounts payable at June 30, 2004 were $2.7 million.

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., Syracuse University Press, and 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 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 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 and interest expense are allocated based on square footage.

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 predominantly for scholarships and other operating purposes. They are expected to be realized in the following periods (shown at right):

In Thousands of Dollars	**2004**	**2003**
Less than one year	$ 10,304	$ 9,848
One year to five years	16,592	16,915
More than five years	13,178	14,864
	40,074	41,627
Allowance for uncollectibility	(4,827)	(4,893)
Present value discount	(7,264)	(8,070)
Total	**$ 27,983**	**$ 28,664**

3. INVESTMENTS

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

	2004		**2003**	
In Thousands of Dollars	**Cost**	**Fair Value**	**Cost**	**Fair Value**
Fixed income	$ 345,520	$ 345,542	$ 394,882	$ 401,484
Equities	506,223	578,517	456,773	476,626
Other	85,428	93,373	74,758	78,700
Total	**$ 937,171**	**$ 1,017,432**	**$ 926,413**	**$ 956,810**

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 $60.0 million at June 30, 2004 to private equity partnerships.

At June 30, 2004, the University has approximately $16.6 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:

	2004		**2003**	
	Pool #1	Pool #2	Pool #1	Pool #2
Pooled long-term investments	$709.2 million	$22.9 million	$618.3 million	$13.8 million
Unit fair value for long-term investment pool transactions	$ 437.32	$ 453.28	$ 386.86	$ 406.93
Annual distribution per unit	$ 19.82	$ 20.32	$ 21.93	$ 22.21
Pooled long-term investment distribution	$ 39.4 million	$ .8 million	$ 42.2 million	$ .8 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, 2004 and 2003, the University had loaned securities, returnable on demand, with a fair value of approximately $77.1 million and $34.5 million, respectively, to financial institutions that have deposited collateral of $79.7 million and $35.7 million, respectively, relating 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	2004	2003
Land and land improvements	$ 51,617	$ 45,601
Buildings and building equipment	749,831	712,247
Equipment	64,644	67,012
Library and art collections	178,274	170,758
	1,044,366	995,618
Accumulated depreciation	(486,764)	(459,734)
Total	**$ 557,602**	**$ 535,884**

5. LONG-TERM DEBT

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

In Thousands of Dollars	Calendar Year of Maturity	2004	2003
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	14,850	15,525
Bank Loans (c)	2009	15,290	16,583
Other (d)	various	389	1,011
Total		**$ 150,529**	**$ 153,119**

(a) "PARS" (Periodic Auction Reset Securities) bonds that have their interest rates set at weekly auctions. The interest rates at June 30, 2004 were .91% for Series 1999A and .88% 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, which are guaranteed by the University, bear interest at a rate per annum equal to the adjusted LIBOR rate for the applicable interest period plus .55%. On March 1, 2004, Drumlins Inc. repaid its bank loan from proceeds advanced to Drumlins Inc. by the University.

(d) Interest-free loans issued by the New York State 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 2005 - $1.5 million; and fiscal 2006 through fiscal 2009, - $1.4 million. In fiscal 2004 net interest expense and commissions totaled $1.8 million. The fair value of the University's long-term debt at June 30, 2004 approximates its carrying value.

6. INTEREST RATE SWAPS

In July 2003, the University entered into two interest rate swap agreements with an expiration date of December 1, 2029. Neither the University nor the counterparty, a financial institution, are required to collateralize their respective obligations under these swaps. The purpose of these swaps is to fix the interest rate on the Industrial Development Agency – Civic Facility Variable Rate Revenue Bonds Series 1999A and 1999B to reduce exposure to interest rate fluctuations. At June 30, 2004, the notional amounts of swap A and B were $60,000,000 each, respectively. Under the agreements, the University pays the counterparty interest at fixed rates of 3.59% and 3.598%. The counterparty pays the University at a variable rate equal to the 30 day LIBOR. The amounts exchanged are based on the notional amounts and other terms of the swaps. The University has recognized $.5 million as part of the unrealized change in fair value of investments which represents the net cash payment for the difference between the University's and the counterparty's payments under the swaps and the change in the fair value of the interest rate swaps for the year ended June 30, 2004. The fair value of the swaps at June 30, 2004 of $3.6 million has been recorded as part of investments.

In August 2003, the Syracuse University Hotel and Conference Center LLC (the Hotel) entered into an interest rate swap agreement with an expiration date of August 1, 2027. Neither the Hotel nor the counterparty, a financial institution, are required to collateralize their respective obligations under this swap. The purpose of this swap is to fix the base interest rate on the note payable to reduce exposure to interest rate fluctuations. At June 30, 2004, the notional amount of the swap was $15,290,000. Under the agreement, the Hotel will pay the counterparty interest at a fixed rate of 5.303%. The counterparty will pay the Hotel at a variable rate equal to the 30 day LIBOR. The amounts exchanged are based on the notional amounts and other terms of the swap. The Hotel has recorded $.1 million as an unrealized change in fair value of investments which represents the net cash payment for the difference between the Hotel's and the counterparty's payments under the swap and the change in fair value of the swap for the year ended June 30, 2004. The fair value of the swap of $.5 million has been recorded as part of investments.

7. 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 2004 and 2003 were approximately $21.9 million and $20.6 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. The cost of these benefits are accounted for in accordance with Statement of Financial Accounting Standards No. 106, "Employers Accounting for Postretirement Benefits Other Than Pensions." Information with respect to the plans is as follows:

In Thousands of Dollars	**2004**	**2003**
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	$ 67,528	$ 39,637
Service cost	4,420	2,674
Interest cost	3,153	2,942
Plan participants' contributions	145	137
Plan amendments	(18,230)	533
Actuarial (gain) loss	(2,413)	23,886
Benefits paid	(2,484)	(2,281)
Benefit obligation at end of year	**$ 52,119**	**$ 67,528**

7. RETIREMENT PLANS (Continued)

Effective January 1, 2004, the University amended the eligibility requirements and contribution levels for its postretirement medical benefit and life insurance plans. As a result of this amendment, the University, as of January 1, 2004, remeasured its obligation under the plans. The impact of the amendments was to reduce the Plan's accumulated postretirement benefit obligation and prior service cost by $18.2 million, and fiscal 2004 net periodic benefit cost by $1.7 million.

In Thousands of Dollars	2004	2003
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	$ -	$ -
Actual return on plan assets	-	-
Employer contributions	2,339	2,144
Expected plan participants' contributions	145	137
Benefits paid	(2,484)	(2,281)
Fair value of plan assets at end of year	**$ -**	**$ -**
COMPONENTS OF ACCRUED BENEFIT COST		
Funded status	$ 52,119	$ 67,528
Unrecognized prior service cost	16,047	(689)
Unrecognized actuarial net loss	(25,692)	(29,335)
Accrued benefit cost	**$ 42,474**	**$ 37,504**
DISCOUNT RATES		
Net periodic benefit cost	5.5%	7.0%
Year end benefit obligation	6.0%	5.5%
AMOUNTS RECOGNIZED IN THE STATEMENTS OF FINANCIAL POSITION		
Accrued cost	$ 42,474	$ 37,504
Net amount recognized	**$ 42,474**	**$ 37,504**
COMPONENTS OF NET PERIODIC BENEFIT COST		
Service cost	$ 4,420	$ 2,674
Interest cost	3,153	2,942
Amortization of actuarial loss	1,342	272
Amortization of unrecognized prior service cost	(1,493)	255
Net periodic benefit cost	**$ 7,422**	**$ 6,143**

For measurement purposes, an 11% and a 14% annual rate of increase in the per capita cost of covered health care and prescription drug benefits, respectively, was assumed as of June 30, 2004. These rates were assumed to decrease to 5.0% for health care by 2012 and prescription drug benefits by 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	$ 810	$ (729)
Effect on postretirement benefit obligation	$ 4,581	$ (4,227)

7. RETIREMENT PLANS (Continued)

Cash Flows – Contributions

Contributions to the postretirement benefit plans, net of employee contributions, for fiscal year 2005 are estimated to be $2.8 million.

Recent Accounting Pronouncements

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was signed into law. The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to the Medicare benefit.

In January 2004, FASB Staff Position 106-1, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (FSP106-1),* was issued. FSP106-1 allows for either recognition or deferral of recognition of the provisions of the Act pending authoritative guidance on the accounting for the federal subsidy.

For the year ended June 30, 2004, the University has adopted FSP106-1 and elected to defer the recognition of the provisions of the Act in the determination of its accumulated postretirement benefit obligation and net periodic postretirement benefit cost. Once such guidance is issued, the University may be required to change previously reported FASB 106 information.

In May 2004, FASB Staff Position 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act (FSP106-2),* was issued. FSP106-2, which is effective for the University's fiscal year ending June 30, 2005, will supersede FSP106-1, and require that the impact of the Act be included in the University's calculation of its accumulated postretirement benefit obligation and net periodic postretirement benefit cost.

SYRACUSE UNIVERSITY