2005 Financial Report
SYRACUSE UNIVERSITY


Photo by Susan Kahn Photography

Cover Photo by Susan Kahn Photography
Produced by Syracuse University's
Office of Publications

As the 2005-2006 academic year begins, Syracuse University finds itself with one of the largest freshman classes on record and the most diverse freshman class ever. Both of these welcome surprises occurred with no lowering of admission standards and constitute abundant proof–if we needed any–that SU is a "hot" place to go!

We are embarking on a program I call "Scholarship in Action," which has already produced a proliferation of new programs that get our faculty, students, and staff engaged with expert practitioners, in the professions and other fields, with our outstanding alumni, with the larger communities of Syracuse and upstate New York, and with new programs in sites as disparate as Washington, D.C., and Beijing.

We know that our graduates will face new kinds of lives in a multicultural world that knows no boundaries, in which they must be empathetic enough to collaborate with people not like them and confident enough to create new things and make discoveries in situations that may be far from comfortable or stable. As I told our freshmen at Convocation this fall, *now* is the time for them to begin, not four years from now.

As part of our effort to create a campus without boundaries, we have collaborated with the city of Syracuse and its business and arts organizations to get our students off our "hill" and into the city in a variety of ways. In January we will open our "Warehouse" downtown as the temporary home of the School of Architecture. It will also house our new program in arts journalism and two design programs from the College of Visual and Performing Arts.

This fall, we have also announced an SU/SCSD Partnership for Better Education, an ongoing effort to work with the Syracuse City School District, starting at Nottingham High School, drawing on our strengths in the arts, literacy, inclusive education, science, and technology to institutionalize collaborative programs and implement new ones.

We are extending our reach beyond Syracuse to New York City, where we have programs in education, business, theater, and journalism, to Washington, D.C., where the Maxwell and Newhouse schools and the College of Law are collaborating to take a path-breaking look at the independence of the judiciary, and to Los Angeles, where we hope to build on our expertise in television and film. Overseas, we have announced a new DIPA program in Beijing.

We are broadening our inter-group dialogue programs on campus, providing ways for students and other members of the University community to comfortably talk about their similarities and differences. A University task force is evaluating a broad range of faculty scholarship, and we seek to enhance our profile of sponsored research. In almost every venue, I am asking faculty and students to consider undertaking cross-disciplinary, innovative work on critical issues of the day. We invite you to join us in a thrilling and rewarding year.

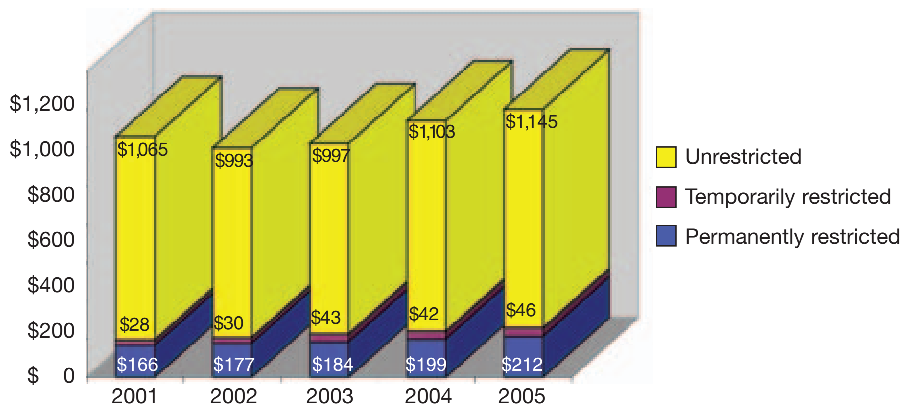
Nancy Cantor
Chancellor and President

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

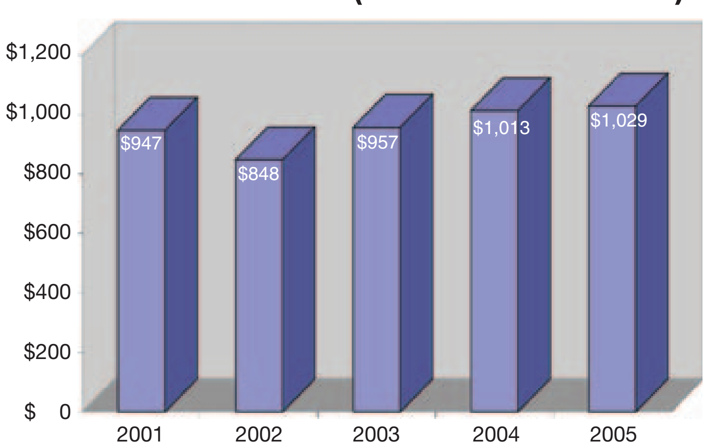
Fiscal year 2005 was a year of well-planned and controlled financial management and achievement of strengthened University financial position.

The University's net assets exceeded $1.4 billion at June 30, 2005, and the June 30 balance for each class of net assets for the five most recently completed fiscal years was as follows:

NET ASSETS (In Millions of Dollars)



INVESTMENTS (In Millions of Dollars)

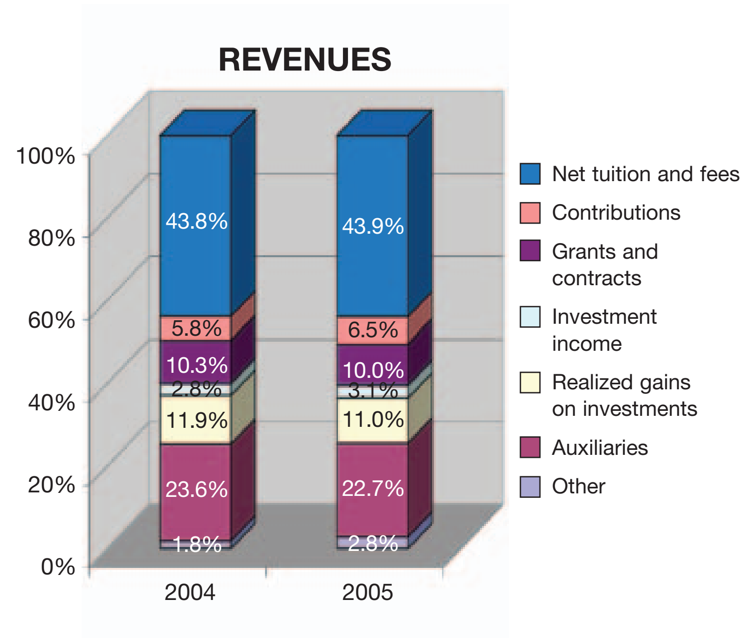


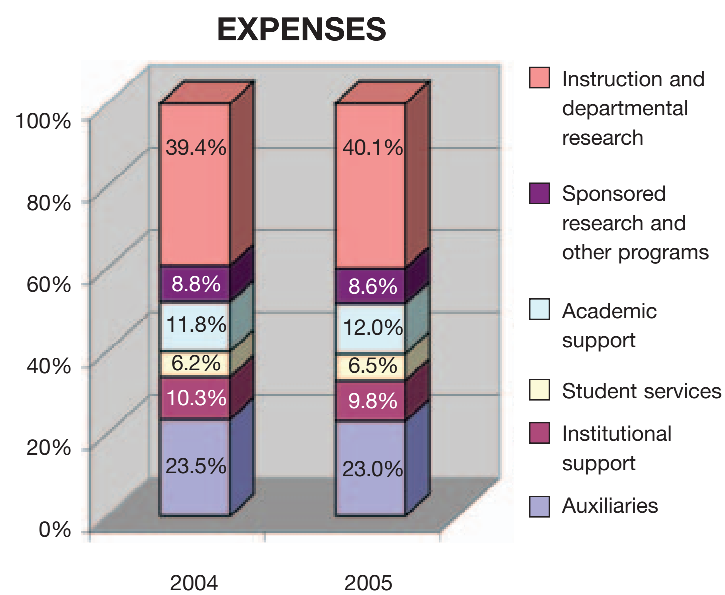
The fair value of long-term investments was in excess of $1.0 billion at June 30, 2005, and the total fair value of investments at June 30 for the five most recently completed fiscal years is presented at left.

The asset allocation of investments at fair value at June 30, 2005 was 50.5% U.S. and Non-U.S. equities, 12.1% private equities, 28.8% fixed income, and 8.6% other.

In accordance with the University's spending policy, its pooled long-term investment distribution per unit for Pool #1 decreased by 6.4% to $18.56 per unit, and its pooled long-term investment distribution per unit for Pool #2 decreased by 5.0% to $19.31 per unit. Further, the distribution per unit for Pool #1 will decrease by approximately 3.3% for fiscal year 2006 to $17.95 per unit, and the distribution per unit for Pool #2 will increase by approximately .1% for fiscal year 2006 to $19.33 per unit.

For fiscal years 2005 and 2004 the revenue amounts as percentages of total revenues, and the expense amounts as percentages of total expenses, were as presented at right:

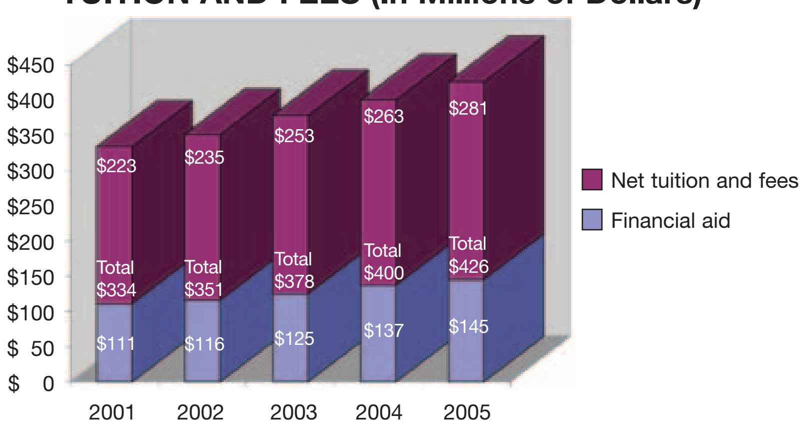




Tuition and fees totaled $426.4 million for fiscal year 2005. Financial aid as a percentage of tuition and fees decreased by .1% to 34.0%, and current year net tuition and fees represented 43.9% of the University's total revenues.

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

TUITION AND FEES (In Millions of Dollars)



The notable variance in the University's statements of activities for fiscal years 2005 and 2004 was that the unrealized change in fair value of University investments was approximately a negative $13.7 million as compared to a positive of approximately $51.7 million for fiscal year 2004.

For fiscal year 2006, the University's operating budget is expected to increase by approximately 5.9% to $790.8 million.

The commitment continues to maintain campus buildings, infrastructures, and grounds at a high quality. Accordingly, for fiscal year 2005, land improvements, buildings, equipment, and collections expenditures exceeded $50 million, and included spending for the Whitman School of Management building, Women's Building, South Campus tennis courts, Hendricks Chapel, Newhouse School of Public Communications buildings, Hawkins Warehouse, Regent Theater, Carrier Dome, Crouse-Hinds Hall, Brewster Hall, Brockway Hall, Slocum Hall, Center of Excellence, Link Hall, Center for Science and Technology, Life Sciences building, Adams Street Parking Garage, Graham Dining Hall, Booth Parking Garage, Hinds Hall, Manley Field House, Commissary Warehouse, and The Warehouse.

The University's June 30, 2005 and 2004 financial statements have been adjusted to reclassify pending investment sales and purchases transactions from operating cash flows to investing cash flows in the June 30, 2005 and 2004 Statements of Cash Flows. The reclassifications are set forth on page 14 at the end of Note 1. The reclassifications are technical changes and have no impact on the University's Statements of Financial Position, Statements of Activities, overall cash flows, or changes in cash and cash equivalents.

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

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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.

Nancy Cantor
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 statements of financial position and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of Syracuse University (the "University") as of June 30, 2005 and 2004, 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. Those standards 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.

As discussed in Note 1, the University has restated the statements of cash flows.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Syracuse, New York
July 13, 2005, except as to certain
cash flows information in Note 1 as to
which the date is November 26, 2005

Photo by emanphoto.com

JUNE 30, 2005 AND 2004

In Thousands of Dollars	2005	2004
ASSETS		
Cash and cash equivalents	$ 20,927	$ 13,246
Loaned securities and pending securities sales	92,376	98,349
Accounts receivable (less allowance for doubtful accounts of $9.4 million and $8.6 million for 2005 and 2004, respectively)	17,738	15,662
Pledges and bequests receivable	31,484	27,983
Inventories and other assets	22,677	25,798
Loans to students (less allowance for doubtful accounts of $1.0 million for 2005 and 2004)	27,889	26,806
Investments	1,029,483	1,013,281
Land, land improvements, buildings, equipment, and collections	593,469	557,602
TOTAL ASSETS	**$ 1,836,043**	**$ 1,778,727**
LIABILITIES		
Loaned securities and pending securities purchases	$ 99,015	$ 120,056
Accounts payable and accrued liabilities	68,088	52,812
Deposits and deferred revenues	47,332	43,442
Accrued postretirement benefits	43,777	42,474
Refundable government student loan funds	26,013	25,832
Long-term debt	149,051	150,529
Total liabilities	433,276	435,145
NET ASSETS		
Unrestricted	1,145,240	1,103,048
Temporarily restricted	45,369	42,157
Permanently restricted	212,158	198,377
Total net assets	1,402,767	1,343,582
TOTAL LIABILITIES AND NET ASSETS	**$ 1,836,043**	**$ 1,778,727**

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

Photo by Susan Kahn Photography

YEAR ENDED JUNE 30, 2005
With Comparative Totals for Year Ended June 30, 2004

In Thousands of Dollars	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**2005 Total**	**2004 Total**
REVENUES					
Tuition and fees	$ 426,423			$ 426,423	$ 399,757
Less: Financial aid	144,973			144,973	136,386
Net tuition and fees	281,450			281,450	263,371
Contributions	22,344	$ 7,668	$ 12,124	42,136	35,044
Grants and contracts	64,223			64,223	61,897
Investment income	18,005	308	1,422	19,735	17,313
Realized gains (losses) on investments	70,075	(19)	5	70,061	71,200
Auxiliaries	145,999			145,999	140,710
Other	23,464	(5,012)		18,452	10,684
Total revenues	625,560	2,945	13,551	642,056	600,219
EXPENSES					
Instruction and departmental research	228,436			228,436	210,295
Sponsored research and other programs	49,058			49,058	46,457
Academic support	67,816			67,816	62,962
Student services	36,598			36,598	32,748
Institutional support	55,816			55,816	55,074
Auxiliaries	131,479			131,479	125,088
Total expenses	569,203			569,203	532,624
Increase in net assets before unrealized change in fair value of investments	56,357	2,945	13,551	72,853	67,595
Unrealized change in fair value of investments	(14,165)	267	230	(13,668)	51,698
Increase in net assets	42,192	3,212	13,781	59,185	119,293
Net assets at beginning of year	1,103,048	42,157	198,377	1,343,582	1,224,289
NET ASSETS AT END OF YEAR	**$1,145,240**	**$ 45,369**	**$ 212,158**	**$1,402,767**	**$1,343,582**

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

YEAR ENDED JUNE 30, 2004

In Thousands of Dollars	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Tuition and fees	$ 399,757			$ 399,757
Less: Financial aid	136,386			136,386
Net tuition and fees	263,371			263,371
Contributions	17,237	$ 7,613	$ 10,194	35,044
Grants and contracts	61,897			61,897
Investment income	15,405	423	1,485	17,313
Realized gains (losses) on investments	68,217	(236)	3,219	71,200
Auxiliaries	140,710			140,710
Other	21,063	(10,379)		10,684
Total revenues	587,900	(2,579)	14,898	600,219
EXPENSES				
Instruction and departmental research	210,295			210,295
Sponsored research and other programs	46,457			46,457
Academic support	62,962			62,962
Student services	32,748			32,748
Institutional support	55,074			55,074
Auxiliaries	125,088			125,088
Total expenses	532,624			532,624
Increase (decrease) in net assets before unrealized change in fair value of investments	55,276	(2,579)	14,898	67,595
Unrealized change in fair value of investments	50,454	1,293	(49)	51,698
Increase (decrease) in net assets	105,730	(1,286)	14,849	119,293
Net assets at beginning of year	997,318	43,443	183,528	1,224,289
NET ASSETS AT END OF YEAR	**$1,103,048**	**$ 42,157**	**$ 198,377**	**$1,343,582**

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

YEARS ENDED JUNE 30, 2005 AND 2004

In Thousands of Dollars	2005 Restated See Note 1	2004 Restated See Note 1
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	$ 59,185	$ 119,293
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	37,090	36,273
Realized gains on investments	(70,061)	(71,200)
Unrealized change in fair value of investments	10,884	(55,272)
Gifts of property and equipment	(2,232)	(1,381)
Contributions restricted for investment	(19,485)	(17,486)
Net change in operating assets and liabilities	1,817	5,718
Net cash provided by operating activities	17,198	15,945
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans to students	(7,642)	(6,951)
Repayment of loans by students	6,559	7,451
Purchases of investments	(878,999)	(1,501,455)
Sales and maturities of investments	919,741	1,516,121
Purchases of land, land improvements, buildings, equipment, and collections	(67,364)	(53,317)
Net cash used in investing activities	(27,705)	(38,151)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for investment	19,485	17,486
Payments of long-term debt principal	(1,478)	(2,590)
Government advances for student loan programs	181	(278)
Net cash provided by financing activities	18,188	14,618
Net increase (decrease) in cash and cash equivalents	7,681	(7,588)
CASH AND CASH EQUIVALENTS		
Beginning of year	13,246	20,834
End of year	**$ 20,927**	**$ 13,246**
NON-CASH ACTIVITY		
Capital asset purchases included in accounts payable	$5.6 million	$2.7 million
Loaned securities at year end	$54.6 million	$79.7 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, Syracuse University (USA) London Program, Drumlins Inc., Syracuse University Press, and Syracuse University Hotel & Conference Center LLC.

Certain revenue and expense amounts for fiscal 2004 have been reclassified on the enclosed statements of activities to conform to fiscal 2005 presentation.

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 acquired 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 at fair value. The value of publicly-traded fixed income and equity securities is based on quoted market prices and exchange rates. When fair market value for a private equity limited partnership is not readily ascertainable, it is estimated by the general partner.

The University manages long-term investments using the total return concept. The endowment spending policy is designed to stabilize annual spending levels and to preserve the purchasing power of endowment assets.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of Certain Expenses

The statements of activities present expenses by functional classification. Operation and maintenance of plant is allocated based on square footage, and interest expense is allocated based on the use of the debt proceeds.

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 judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the preparation of these financial statements include valuation of investments at fair value, estimated net realizable value of receivables, and actuarially determined employee benefit and self-insurance liabilities. Actual results could differ from estimates.

Tax Status

The University and its subsidiaries qualify as tax-exempt organizations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes, except for Drumlins Inc. and Syracuse University Hotel & Conference Center LLC.

Restated Statements of Cash Flows

The June 30, 2005 and 2004 statements of cash flows have been adjusted to reclassify pending investment purchases and pending investment sales transactions from operating cash flows to investing cash flows.

In Thousands of Dollars	2005		2004	
	As Reported	As Restated	As Reported	As Restated
Unrealized change in fair value of investments	$ 13,668	$ 10,884	$ (51,698)	$ (55,272)
Net change in operating assets and liabilities	(18,778)	1,817	(49,130)	5,718
Net cash (used in) provided by operating activities	(613)	17,198	(35,329)	15,945
Purchases of investments	(883,072)	(878,999)	(1,415,391)	(1,501,455)
Sales and maturities of investments	938,882	919,741	1,481,331	1,516,121
Net cash (used in) provided by investing activities	(9,894)	(27,705)	13,123	(38,151)

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	2005	2004
Less than one year	$ 14,683	$ 10,304
One year to five years	14,380	16,592
More than five years	12,358	13,178
	41,421	40,074
Allowance for uncollectibility	(3,173)	(4,827)
Present value discount	(6,764)	(7,264)
Total	**$ 31,484**	**$ 27,983**

3. INVESTMENTS

The University's investments as of June 30, 2005 and 2004 are summarized in the following table:

In Thousands of Dollars	2005		2004	
Asset Classes	**Cost**	**Fair Value**	**Cost**	**Fair Value**
U.S. Equity	$ 293,350	$ 342,674	$ 260,238	$ 311,025
Non-U.S. Equity	163,537	176,702	125,543	150,687
Fixed income	294,066	296,987	359,866	361,726
Hedge funds	70,000	81,799	70,000	77,944
Private equity	120,290	125,027	108,292	105,819
Other	6,294	6,294	6,080	6,080
Total	**$ 947,537**	**$1,029,483**	**$ 930,019**	**$ 1,013,281**

Within each asset class, the University achieves diversification through allocations to several investment strategies and market capitalizations.

At June 30, 2005, the University has investment commitments to private equity partnerships of approximately $98.7 million, and foreign currency forward contracts of approximately $11.7 million to manage exchange rate risks for its programs abroad. In addition, as of June 30, 2005 and 2004 the University had loaned securities to financial institutions that have deposited collateral of $54.6 million and $79.7 million, respectively. The University receives income from the invested collateral, and dividends and interest from the loaned securities.

	2005		2004	
	Pool #1	Pool #2	Pool #1	Pool #2
Fair value of pooled long-term investments	$ 751.3 million	$28.5 million	$709.2 million	$22.9 million
Unit fair value for long-term investment pool transactions	$ 466.38	$ 464.22	$ 437.32	$ 453.28
Annual distribution per unit	$ 18.56	$ 19.31	$ 19.82	$ 20.32
Pooled long-term investment distribution	$ 37.5 million	$ 1.0 million	$ 39.4 million	$ .8 million

Pool #1 investment distribution included $7.5 million to fund academic initiatives and fundraising expenditures. Pool #2 was established to segregate assets that support endowments whose accumulated gains are classified as temporarily restricted, and therefore, may not be used for other distribution purposes.

Photo by Susan Kahn Photography

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	2005	2004
Land and land improvements	$ 54,424	$ 51,617
Buildings and building equipment	802,039	749,831
Equipment	70,070	64,644
Library and art collections	185,930	178,274
	1,112,463	1,044,366
Accumulated depreciation	(518,994)	(486,764)
Total	**$ 593,469**	**$ 557,602**

5. LONG-TERM DEBT

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

In Thousands of Dollars	Calendar Year of Maturity	2005	2004
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	14,175	14,850
Bank Loan (c)	2009	14,630	15,290
Other (d)	various	246	389
Total		**$ 149,051**	**$ 150,529**

(a) "PARS" (Periodic Auction Reset Securities) bonds that have their interest rates set at weekly auctions. The interest rates at June 30, 2005, were 2.00% for Series 1999A and 2.10% for Series 1999B. The University makes weekly payments of the interest to the bondholders through the trustee. 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 amortized at the rate of $675,000 annually and collateralized by the University's Science and Technology facility.

(c) Syracuse University Hotel & Conference Center LLC has a loan agreement with JPMorgan Chase Bank that is guaranteed by the University, and bears interest at a rate per annum equal to the adjusted LIBOR rate for the applicable interest period plus .55%. At June 30, 2005 and 2004, the interest rates were 3.89% and 1.90%, respectively.

(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 $1.5 million. In addition, fiscal 2005 net interest expense and commissions totaled $2.8 million, and the fair value of the University's long-term debt at June 30, 2005 approximates its carrying value.

6. INTEREST RATE SWAPS

The University and the Syracuse University Hotel & Conference Center LLC have entered into interest rate swap agreements for the purpose of fixing interest rates to reduce exposure to interest rate fluctuations. Two swap agreements are for the University's variable rate revenue bonds (notional amounts of $60 million each at June 30, 2005). The third agreement is for the JPMorgan Chase Bank loan (notional amount of $14.6 million at June 30, 2005).

There is no requirement to collateralize the obligations under the swap agreements. Under the three swap agreements, the counterparty is paid interest of 3.596%, 3.598%, and 5.303%, respectively. The counterparty pays 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 agreements.

The fair value of the swap agreements liability of $9.0 million at June 30, 2005 is included in accrued liabilities, and at June 30, 2004 the fair value of the swap agreements asset of $4.1 million is included in other assets. The changes in the fair values of the swap agreements, a $13.1 million decrease for the year ended June 30, 2005, and a $4.1 million increase for the year ended June 30, 2004, are included in the unrealized change in fair value of investments, along with the net cash payments for the differences between payments under the swap agreements, of $2.8 million and $3.5 million for the fiscal years ended June 30, 2005 and 2004, respectively.

7. RETIREMENT PLANS

Certain full-time and regular part-time employees of the University are 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 2005 and 2004 were approximately $23.1 million and $21.9 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. The cost of these benefits is 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	2005	2004
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	$ 52,119	$ 67,528
Service cost	3,344	4,420
Interest cost	2,700	3,153
Plan participants' contributions	214	145
Plan amendments	(9,914)	(18,230)
Actuarial loss (gain)	1,543	(2,413)
Benefits paid	(2,993)	(2,484)
Benefit obligation at end of year	**$ 47,013**	**$ 52,119**

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.

Effective March 31, 2005, the University amended its postretirement medical benefit plan with respect to prescription drug coverage. The impact of this plan amendment was to reduce the plan's accumulated postretirement benefit obligation and prior service cost by $9.9 million, and the fiscal 2005 net periodic benefit cost impact was immaterial.

7. RETIREMENT PLANS (Continued)

In Thousands of Dollars	2005	2004
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	$ -	$ -
Actual return on plan assets	-	-
Employer contributions	2,779	2,339
Expected plan participants' contributions	214	145
Benefits paid	(2,993)	(2,484)
Fair value of plan assets at end of year	**$ -**	**$ -**
COMPONENTS OF ACCRUED BENEFIT COST		
Funded status	$ 47,013	$ 52,119
Unrecognized prior service cost	22,520	16,047
Unrecognized actuarial net loss	(25,756)	(25,692)
Accrued benefit cost	**$ 43,777**	**$ 42,474**
DISCOUNT RATES		
Net periodic benefit cost	6.0%	5.5%
Year end benefit obligation	5.0%	6.0%
AMOUNTS RECOGNIZED IN THE STATEMENTS OF FINANCIAL POSITION		
Accrued cost	$ 43,777	$ 42,474
Net amount recognized	**$ 43,777**	**$ 42,474**
COMPONENTS OF NET PERIODIC BENEFIT COST		
Service cost	$ 3,344	$ 4,420
Interest cost	2,700	3,153
Amortization of actuarial loss	1,479	1,342
Amortization of unrecognized prior service cost	(3,440)	(1,493)
Net periodic benefit cost	**$ 4,083**	**$ 7,422**

For measurement purposes, a 10% and a 13% annual rate of increase in the per capita cost of covered health care and prescription drug benefits, respectively, were assumed as of June 30, 2005. The rates were assumed to decrease to 5% 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	$ 759	$ (675)
Effect on postretirement benefit obligation	$ 5,641	$ (5,002)

7. RETIREMENT PLANS (Continued)

Cash Flows – Contributions

Contributions to the postretirement benefit plans, net of employee contributions and the Medicare subsidy, are estimated to be $2.8 million for fiscal year 2006.

Medicare Prescription Drug Act

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 provides for a direct government subsidy for employers who continue to offer a retiree drug program that is deemed to be actuarially equivalent to the government plan. The University anticipates that it will qualify for the Medicare Part D prescription drug federal subsidy. In accordance with FASB Staff Position 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement, and Modernization Act (FSP 106-2)*, the University recorded the impact of the Act in its June 30, 2005 financial statements. The reduction in the Accumulated Postretirement Benefit Obligation for the subsidy related to benefits attributed to past service as of July 1, 2004 is $4.1 million. The effect of the subsidy on the measurement of the net periodic postretirement benefit cost for fiscal year 2005 is $.7 million.

8. CONTINGENCIES AND COMMITMENTS

The University is involved in legal actions arising in the normal course of activities and is subject to periodic audits and inquiries by various regulatory agencies. Although the ultimate outcome of such matters is not determinable at this time, management, after taking into consideration advice of legal counsel, believes that the resolution of pending matters will not have a materially adverse effect, individually or in the aggregate, upon the University's financial statements.

The University has a Guaranteed Mortgage Program, which facilitates home ownership by University faculty and staff in neighborhoods immediately east and south of the main campus. The University will guarantee a mortgage loan to qualified faculty or staff in the amount of the purchase price for the home until such time as the loan to value ratio falls below 75%, using the value of the home at the time the loan is closed. Mortgages guaranteed by the University at June 30, 2005 had an aggregate principal amount of approximately $7.9 million. No lending institution has sought payment from the University on any mortgage guaranteed by the University; however, if the University were to pay on a guaranty, the University would receive an assignment of the note and mortgage.

By an Agreement dated December 23, 2004, as amended by an Agreement dated June 2, 2005, among College Services Limited, as Landlord, Syracuse University (USA) London Program, as Tenant (the "London Program") and Syracuse University, as Guarantor (the "University"), the London Program agreed to lease the Faraday House, 48/51 Old Gloucester Street and 66 Southampton Row, London England, for a term of 20 years at a yearly rent of £478,161 for the first six months of the term, and, thereafter, at a yearly rent of £588,500 until the first Review Date. The first Review Date will be the seventh anniversary date of the commencement of the term. Additional Review Dates will be every fifth anniversary date thereafter until the term expires. On each Review Date, the yearly rent will be (i) the yearly rent payable immediately before the relevant Review Date, (ii) the then fair market rent as determined by an independent valuer or as agreed upon by the Landlord and the London Program, or (iii) the previously existing rent increased by an increase in the Retail Prices Index (all items) issued by the Office of National Statistics, whichever is the greatest. The yearly rent is net to the Landlord. The London Program holds options to extend the term for two further terms of five years each. The University guaranteed the obligations of the London Program under the Agreements dated December 23, 2004 and June 2, 2005, and guarantees the obligations of the London Program under the Lease. The term of the Lease commences during fiscal year 2006.

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