FINANCIAL REPORT 2008

SYRACUSE UNIVERSITY

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Nancy Cantor
Chancellor and President

IT'S BEEN A REMARKABLY PRODUCTIVE YEAR FOR SYRACUSE UNIVERSITY, AND THE evidence is all around us not only across campus, but everywhere in the world that our students, faculty, and staff are taking on the great challenges of our time, immersed within collaborative communities of experts that include partners from all sectors. Together, we're witnessing the power of our vision, Scholarship in Action, to foster transformative and sustainable change in myriad ways that reflect SU's strengths.

For instance, last fall we launched the Syracuse Biomaterials Institute (SBI), an interdisciplinary hub of research and teaching that draws together experts from a range of backgrounds who employ natural and synthetic substances designed to treat, augment, or replace tissues and organs of the human body—all to address some of today's most vexing health issues. The SBI is forming connections with public and private sector partners, tapping the University's and the region's broad and deep resources in related fields to catalyze groundbreaking research, create stimulating opportunities for teaching and learning, and, ultimately, bring solutions out of the lab and into the marketplace.

Markets are what SU partner JPMorgan Chase is all about. Together, we've made tremendous progress in our landmark 10-year, $30 million university-industry partnership announced last year that focuses on advancing the technological infrastructure of the financial services industry, while at the same time nurturing new and diverse talent. SU researchers and JPMC professionals have collaborated on a range of projects, from building innovative curricular and professional development opportunities to planning a new corporate technology center to rise on the SU campus that will meet green building standards. This team's focus is not only on solving today's puzzles and modeling collaboration between universities and industry, but also on preparing new generations of high-tech problem solvers.

As we all know, those generations will be increasingly diverse, so we are leveraging SU's long-standing reputation as a place of opportunity for students from all backgrounds and tapping the vast pool of talent awaiting discovery. Today, SU's student body is more diverse than it's ever been, in terms of both ethnicity and socio-economic status—an indicator that SU remains accessible and affordable. Currently, nearly 20 percent of our students are eligible for federal Pell Grants—a widely recognized measure of affordability—which ranks us first among all AAU private institutions and fifth among all private institutions in the United States.

To perpetuate, even accelerate, the flow of talent through this pipeline, we've partnered with the Say Yes to Education Foundation and the Syracuse City School District to create a first-of-its-kind program that will close the "opportunity gap" between Syracuse's school children and their suburban peers. Syracuse Say Yes to Education will provide comprehensive educational and social support systems, culminating in full-tuition scholarships for every city school district student admitted to Syracuse University or any one of the 25 prestigious partner colleges and universities that have joined in this effort to position every child from these urban schools to succeed in the 21st century global knowledge economy.

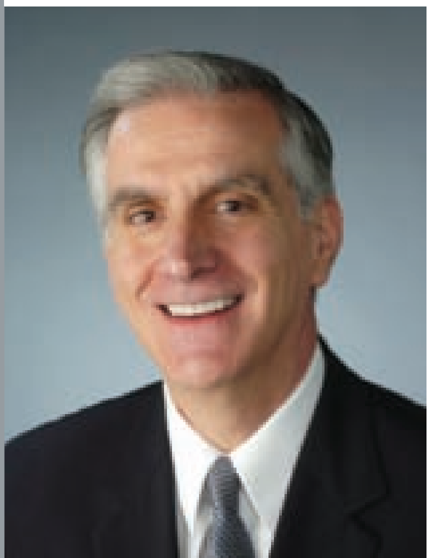
But we and our partners are not waiting for the future to arrive: we're stimulating economic growth right now through joint projects in every corner of our local community, from cultivating an Arts, Technology, and Design Quarter on Syracuse's Near West Side, to training neighborhood entrepreneurs at the South Side Innovation Center, to greening the present and future through the Center of Excellence in Environmental and Energy Systems, to seeding the entrepreneurial spirit across the region through the "Enitiative" funded by a major grant from the Kauffman Foundation. Equally important, we know that the challenges we tackle and solutions we devise locally resonate globally.

We amplify that global resonance everywhere around the world that SU has a presence. For example, we do it through our network of study abroad centers on four continents, such as SU London, where our students took a 10-day "Journey of Understanding" across the UK as part of a diverse group addressing complex issues of stereotyping, identity, cultural heritage, and ethnic conflict, culminating in presentations and a meeting with UK Prime Minister Gordon Brown. Meanwhile, our SU Florence students participated in the Seeds of Legality program—where students work on Sicilian farmland that recently has been reclaimed from the Mafia for local villagers.

These few anecdotes are just a part of the larger story of how SU leveraged its intellectual capital along with that of equally committed partners to make a difference in the world this year—and in the new year, the story just gets better!

Cordially,

Nancy Cantor
Chancellor and President



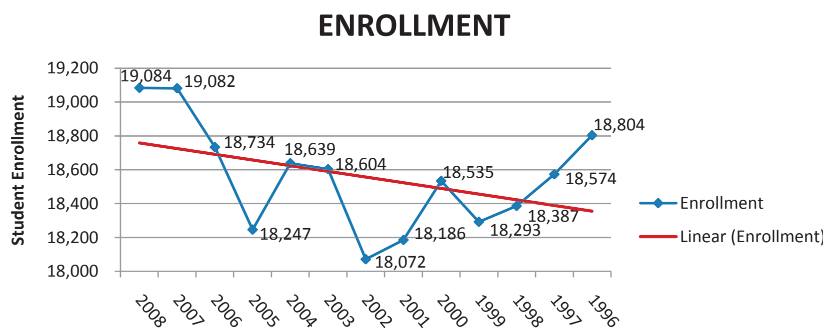
Louis G. Marcoccia
Executive Vice President
and Chief Financial Officer

FISCAL YEAR 2008 OVERVIEW

THE UNIVERSITY REMAINS FINANCIALLY STRONG AND THAT IS CLEARLY EVIDENT IN THE trends achieved in its asset values and financial performance.

In fiscal year 2008 the University's enrollment of more than 19,000 students was consistent with planned enrollment and its prior year's enrollment; its contributions revenues increased substantially to almost $90 million; and it added approximately 233,000 gross square feet of new building space, primarily for academic and research purposes that increased the University's facilities total gross square feet to more than 9.3 million. In addition, during fiscal year 2008 the University received a credit rating upgrade from Moody's Investors Service advancing its rating from A1 to Aa3, thereby confirming the University's improved financial strength.

The University's student enrollment since fiscal year 1996 is presented in the chart below:

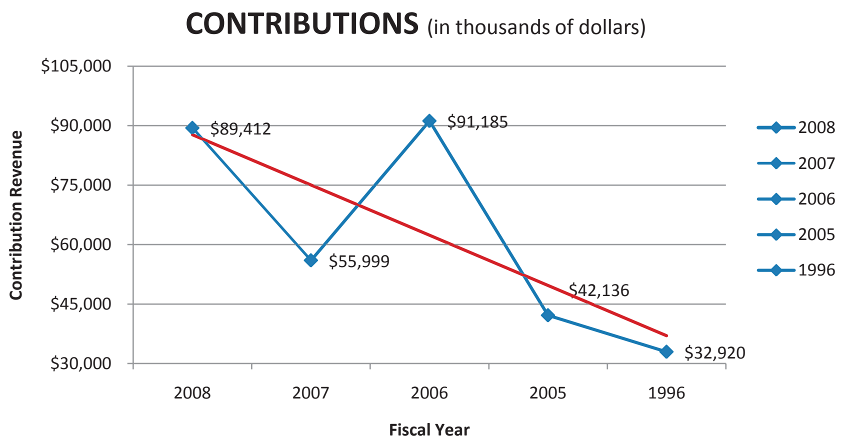


During fiscal year 2008 the University announced its $1 billion fund raising goal. As of August 31, 2008, approximately $575 million had been raised. The $1 billion Campaign for Syracuse University targets five key areas:

- Cross-Connections to advance interdisciplinary teaching, research, and community engagement initiatives;
- Faculty Excellence to endow deanships, chairs, and professorships and provide funds for faculty recruitment, retention, start-up costs, and professional development;

- Student Access and Support to increase support for scholarships and fellowships;
- Building Futures to enhance teaching and research facilities and provide state-of-the-art technology on campus, at the University's regional centers and in the University's study centers abroad; and
- Annual Support for gifts to dean's discretionary funds in each of the schools and colleges.

As the following Contributions chart presents, the University's contributions since 1996 have risen significantly, with fiscal year 2008 contributions revenues being 172% greater than fiscal year 1996 contributions revenues.



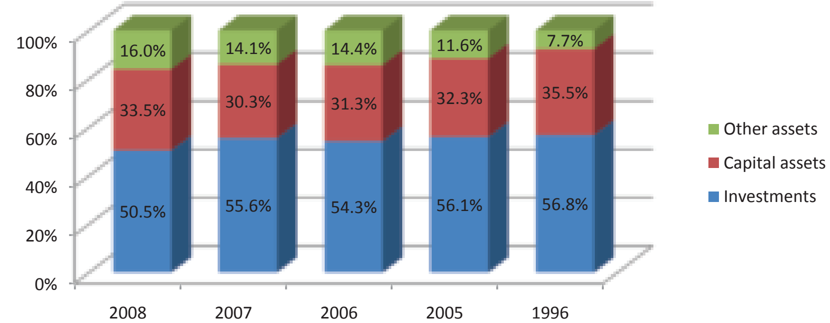
Construction and improvements of the campus continued at a significant pace, with the additions of new facilities, the renovations of existing facilities, and improvements in infrastructure. To assist in funding the additional construction, renovations, and improvements in fiscal year 2008, the University issued $105 million of variable interest rate tax exempt bonds. The most significant fiscal year 2008 expenditures were for the following:

- Expenditures of approximately $49.1 million for the Life Sciences Complex. A $107 million, 230,000-square-foot project bringing the biology, chemistry, and biochemistry departments together, and allowing for greater collaboration within a single facility to better achieve interdisciplinary research and education. The Complex opened for the fall 2008 semester.
- Expenditures of approximately $11.6 million for the renovation of Slocum Hall. A $19 million project enhancing the home of the School of Architecture technologically, functionally, and aesthetically. The building re-opened for the fall 2008 semester.
- Expenditures of $9.5 million for the Center of Excellence. A $31.6 million, 50,000-square-foot project being built in downtown Syracuse, including spaces for collaboration between academic, public, private, and corporate partners in research and development, education, and public outreach. The building is scheduled to open in 2009.
- Expenditures of $9.4 million for the new state-of-the-art residence hall. A $54 million, 140,000-square-foot project to include 250 beds, a 500-seat dining facility, recreational space, and academic space. The building is scheduled to open in August 2009.
- Expenditures of $7.2 million for the completion of Newhouse 3. A $31.6 million project adding more than 72,000 square feet of space to better serve students and faculty in the S.I. Newhouse School of Public Communications. The Newhouse 3 building opened in fall 2007.

STATEMENTS OF FINANCIAL POSITION HIGHLIGHTS

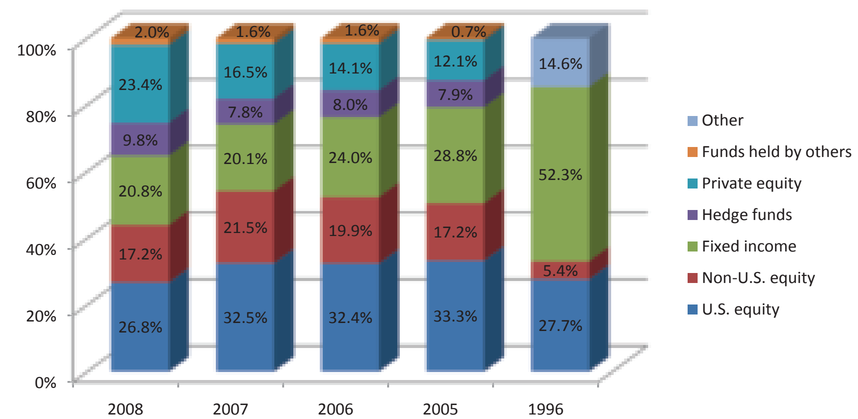
The University's largest asset categories continued to be investments and net capital assets. At June 30, 2008, those asset categories totaled $1,188.8 million and $788.2 million, respectively, and at June 30, 1996, those asset categories totaled $622.4 million and $389.2 million, respectively. Asset category percentages at June 30 for the four most recent fiscal years and fiscal year 1996 are set forth below:

ASSETS



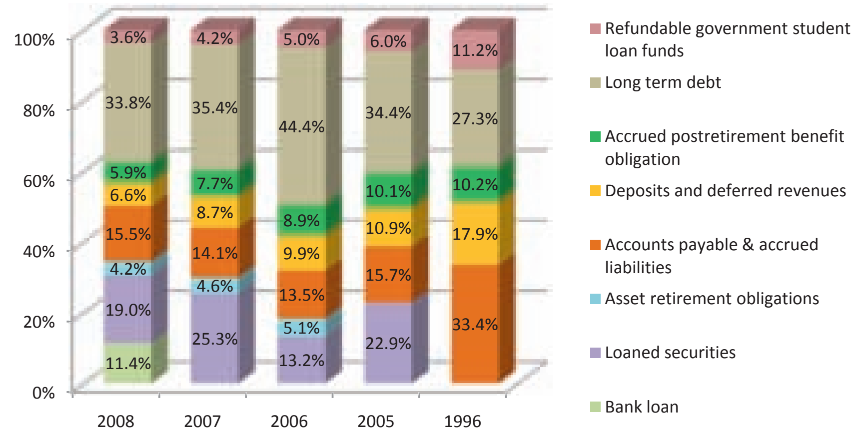
Investments performed better than the University's investment policy index but decreased 7.7% from fiscal year 2007 to $1,188.8 million. This decrease was primarily attributable to the impact on University investments of the overall economy and markets. As shown on the Investment Asset Category Allocations chart below, U.S. equities remained the largest category of the University's investments, comprising approximately 27%. While it remained the largest category, it decreased from the three prior fiscal years, when it comprised more than 32% of the University's investments. One investment category that increased was private equity, which approximated 23% of the University's investments in fiscal year 2008, up from the low to mid-teens in previous fiscal years. As the following chart presents, the University's investment allocations have changed significantly in accordance with the University's asset allocations strategy since fiscal year 1996, when over 50% of the investments were allocated to fixed income investments.

INVESTMENT ASSET CATEGORY ALLOCATIONS



Liabilities increased to $704.5 million in fiscal year 2008, a 16.8% increase from the prior fiscal year. Since 1996, liabilities have increased 248% and a significant reason for that increase is the University's issuance of long-term debt to fund its capital assets spending, which increased long-term debt balances from $55.4 million in fiscal year 1996 to $237.7 million in fiscal year 2008. As indicated on the Liabilities chart that follows, long-term debt continued to comprise the largest component of liabilities, exclusive of fiscal year 1996, when accounts payable and accrued liabilities comprised the largest component of liabilities. While long-term debt has decreased as a percentage of total liabilities, from 35.4% in fiscal year 2007 to 33.8% in fiscal year 2008, the outstanding long-term debt balance increased as a result of the 2008 issuance of $105 million of new debt. Offsetting that issuance of new debt was the University's repurchase of its $80 million Series 2005 PARS bonds utilizing a 364-day bridge loan that is reported as the bank loan liability on the Statement of Financial Position.

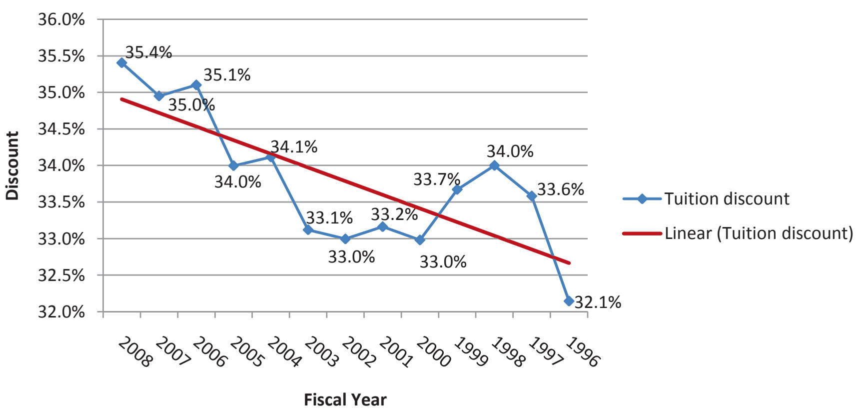
LIABILITIES



STATEMENTS OF ACTIVITIES HIGHLIGHTS

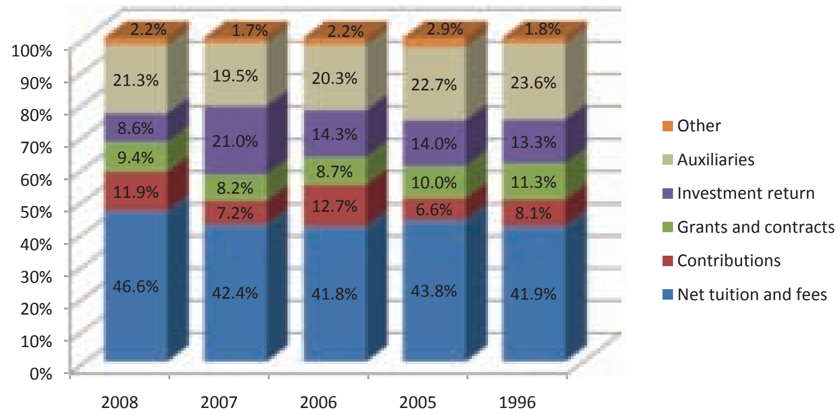
Total revenues for the fiscal year ended June 30, 2008 decreased to $748.6 million, a 4.3% decrease that resulted from decreased investment return. Despite the decrease in total revenues, the University maintained the planned growth of its tuition discount, which is a form of financial aid to students. The tuition discount increased to 35.4% as illustrated on the Tuition Discount chart below:

TUITION DISCOUNT



The Revenues chart that follows indicates that since fiscal year 1996 revenue components have remained relatively consistent, with the exception of investment return. In fiscal year 2008, net tuition and fees continued to comprise the largest revenue component at 46.6%, and the next largest revenue component was Auxiliaries revenues at 21.3%. Net tuition and fees increased in fiscal year 2008 to $349.2 million from $331.9 million in fiscal year 2007. That increase was based primarily on the undergraduate tuition price increase of 5.7%. In addition, Auxiliaries revenues increased to $158.7 million in fiscal year 2008, a 4.1% increase.

REVENUES



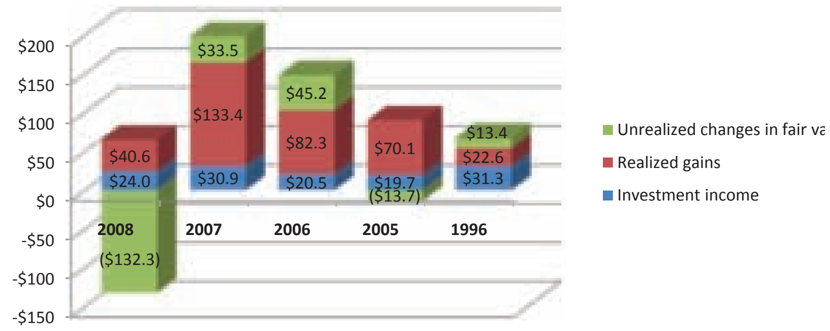
All revenues, with the exception of investment return, increased from fiscal year 2007 to fiscal year 2008. As indicated on the Contributions chart, the most significant increase was in contributions revenues, and occurred primarily as a result of The Campaign for Syracuse University.

Investment return decreased 60.7% to $64.6 million, and was composed of investment income of $24 million and realized gains of $40.6 million. This decrease occurred primarily because of the overall economic downturn and decreased financial market values that impacted University investments.

Unrealized changes in the fair values of investments decreased to an unrealized losses total of ($132.3) million, as compared to an unrealized gains total of $33.5 million in fiscal year 2007. Unrealized changes in the fair values for the fiscal year ended June 30, 2008 were comprised of unrealized losses in the fair values of investments of ($106.2) million, unrealized losses in the fair values of interest rate swap agreements of ($25.3) million, and unrealized losses of ($.8) million in foreign currency forward contracts. For the year ended June 30, 2007, there were unrealized gains of $34 million in the fair values of investments, unrealized losses of ($.3) million in the fair values of interest rate swap agreements, and unrealized losses of ($.2) million in foreign currency forward contracts.

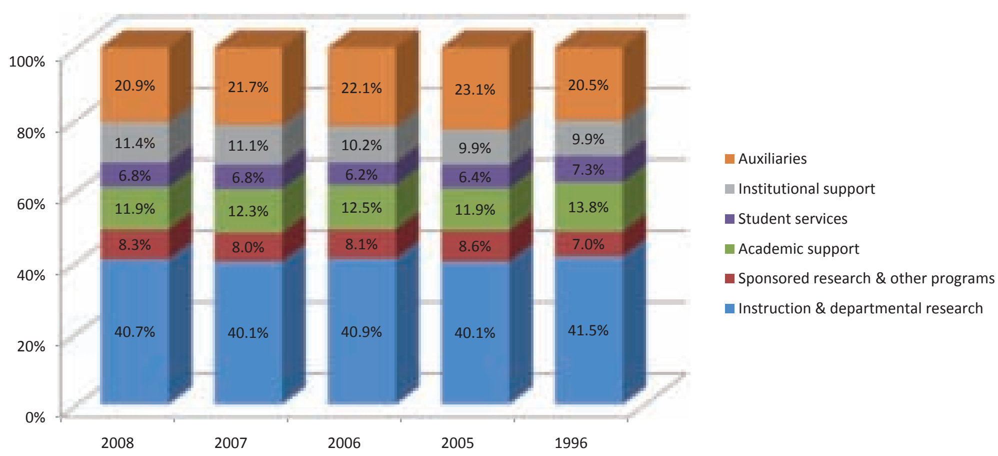
Investment return and unrealized changes in fair values for the four most recent fiscal years, as well as a comparison to fiscal year 1996, are presented in the chart below:

INVESTMENT RETURN AND UNREALIZED CHANGES IN FAIR VALUE (In millions of dollars)



Expenses increased 7.7% to $683.6 million in fiscal year 2008. A comparison of expense components by functional classification is presented in the chart below. As shown, the classification percentages remained relatively consistent not only for the four most recent fiscal years, but also since fiscal year 1996. Instruction and departmental research continued to comprise the largest expense component, at approximately 40% each fiscal year.

EXPENSES



STATEMENTS OF CASH FLOWS

In fiscal years 2008 and 2007 there were decreases in cash and cash equivalents of approximately ($3) million and ($3.7) million, respectively. There was net cash provided by operating activities of $.5 million in fiscal year 2008 as compared to net cash provided by operating activities of $14.8 million in fiscal year 2007; there was net cash used in investing activities of ($85.8) million and ($105.8) million in fiscal years 2008 and 2007, respectively; and there was net cash provided by financing activities of $82.3 million and $87.3 million in fiscal years 2008 and 2007, respectively.

RECENTLY ISSUED ACCOUNTING STANDARDS

As disclosed in footnote 1(l), effective July 1, 2007 the University adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income tax recognized in an entity's financial statements and requires entities to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities. The adoption of FIN 48 had no impact on the University's financial statements.

RECOGNITION

The University's Business, Finance, and Administrative Services division remained committed to conducting business in a fiscally responsible manner in accordance with best practices and the highest ethical standards. Best practice financial planning and management services continued to be important contributors in support of the University's mission and vision. Principal providers of leadership in achievement and support of those services included Administrative Assistant to the Executive Vice President and Chief Financial Officer, Nancy J. Freeman; Comptroller, Rebecca L. Foote; Treasurer, Barbara L. Wells; Budget and Planning Director, Gwenn B. Judge; Audit and Management Advisory Services Director, Stephen G. Colicci; and their excellent staffs.

Louis G. Marcoccia
Executive Vice President and Chief Financial Officer

MANAGEMENT IS RESPONSIBLE FOR THE PREPARATION, integrity and objectivity of the consolidated financial statements of Syracuse University (the University). The statements have been prepared in accordance with U.S. generally accepted accounting principles, 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 KPMG 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	Louis G. Marcoccia
Chancellor and President	Executive Vice President and Chief Financial Officer

KPMG LLP
300 South State Street
Syracuse, NY 13202-2024

Independent Auditors' Report

The Board of Trustees
Syracuse University:

We have audited the accompanying statements of financial position of Syracuse University (the University) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. 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 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Syracuse University as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

August 6, 2008

JUNE 30, 2008 AND 2007

In Thousands of Dollars	2008	2007
ASSETS		
Cash and cash equivalents	$ 14,753	$ 17,725
Loaned securities collateral	134,056	152,799
Receivables	107,697	78,136
Other assets	22,980	32,595
Loans to students	29,764	27,620
Investments	1,188,807	1,288,303
Funds held by bond trustee	69,594	17,821
Land, land improvements, buildings, equipment, and collections	788,225	703,572
TOTAL ASSETS	**$ 2,355,876**	**$ 2,318,571**
LIABILITIES		
Loaned securities	$ 134,056	$ 152,799
Accounts payable and accrued liabilities	109,270	85,247
Bank loan	80,000	
Deposits and deferred revenues	46,792	52,634
Asset retirement obligations	29,630	27,583
Accrued postretirement benefit obligation	41,775	46,244
Long-term debt	237,748	213,457
Refundable government student loan funds	25,260	24,998
Total liabilities	704,531	602,962
NET ASSETS		
Unrestricted	1,267,229	1,377,268
Temporarily restricted	82,127	58,802
Permanently restricted	301,989	279,539
Total net assets	1,651,345	1,715,609
TOTAL LIABILITIES AND NET ASSETS	**$ 2,355,876**	**$ 2,318,571**

See accompanying notes to financial statements.

YEAR ENDED JUNE 30, 2008

With Comparative Totals for Year Ended June 30, 2007

In Thousands of Dollars	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2007
REVENUES					
Tuition and fees	$ 540,599			$ 540,599	$ 510,241
Less: financial aid	191,400			191,400	178,335
Net tuition and fees	349,199			349,199	331,906
Contributions	38,652	$ 29,849	$ 20,911	89,412	55,999
Grants and contracts	70,173			70,173	64,420
Investment return	63,089	12	1,536	64,637	164,347
Auxiliaries	158,669			158,669	152,365
Other	16,513			16,513	13,133
Net assets released from restrictions	8,582	(8,582)		—	—
Total revenues	704,877	21,279	22,447	748,603	782,170
EXPENSES					
Instruction and departmental research	278,395			278,395	254,801
Sponsored research and other programs	56,763			56,763	50,664
Academic support	81,505			81,505	78,230
Student services	46,091			46,091	42,888
Institutional support	78,041			78,041	70,821
Auxiliaries	142,826			142,826	137,578
Total expenses	683,621			683,621	634,982
Increase in net assets before unrealized changes in fair value of investments, interest rate swap agreements, and foreign currency forward contracts	21,256	21,279	22,447	64,982	147,188
Unrealized changes in fair values:					
Investments	(108,240)	2,046	3	(106,191)	34,022
Interest rate swap agreements and foreign currency forward contracts	(26,141)			(26,141)	(490)
Total unrealized changes in fair values	(134,381)	2,046	3	(132,332)	33,532
(Decrease) increase in net assets before postretirement benefit obligation changes other than net periodic cost and effect of a change in accounting principle	(113,125)	23,325	22,450	(67,350)	180,720
Postretirement benefit obligation changes other than net periodic cost	3,086			3,086	
Effect of a change in accounting principle					(982)
(Decrease) increase in net assets	(110,039)	23,325	22,450	(64,264)	179,738
Net assets at beginning of year	1,377,268	58,802	279,539	1,715,609	1,535,871
NET ASSETS AT END OF YEAR	**$ 1,267,229**	**$ 82,127**	**$ 301,989**	**$1,651,345**	**$1,715,609**

See accompanying notes to financial statements.

YEAR ENDED JUNE 30, 2007

In Thousands of Dollars	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Tuition and fees	$ 510,241			$ 510,241
Less: financial aid	178,335			178,335
Net tuition and fees	331,906			331,906
Contributions	16,842	$ 21,676	$ 17,481	55,999
Grants and contracts	64,420			64,420
Investment return	164,343		4	164,347
Auxiliaries	152,365			152,365
Other	13,133			13,133
Net assets released from restrictions	17,315	(17,315)		—
Total revenues	760,324	4,361	17,485	782,170
EXPENSES				
Instruction and departmental research	254,801			254,801
Sponsored research and other programs	50,664			50,664
Academic support	78,230			78,230
Student services	42,888			42,888
Institutional support	70,821			70,821
Auxiliaries	137,578			137,578
Total expenses	634,982			634,982
Increase in net assets before unrealized changes in fair values of investments, interest rate swap agreements, and foreign currency forward contracts	125,342	4,361	17,485	147,188
Unrealized changes in fair values:				
Investments	27,795	4,658	1,569	34,022
Interest rate swap agreements and foreign currency forward contracts	(490)			(490)
Total unrealized changes in fair values	27,305	4,658	1,569	33,532
Increase in net assets before effect of a change in accounting principle	152,647	9,019	19,054	180,720
Effect of a change in accounting principle	(982)			(982)
Increase in net assets	151,665	9,019	19,054	179,738
Net assets at beginning of year	1,225,603	49,783	260,485	1,535,871
NET ASSETS AT END OF YEAR	**$1,377,268**	**$ 58,802**	**$ 279,539**	**$1,715,609**

See accompanying notes to financial statements.

YEARS ENDED JUNE 30, 2008 AND 2007

In Thousands of Dollars	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	$ (64,264)	$ 179,738
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Postretirement benefit obligation changes other than net periodic cost	(3,086)	
Effect of a change in accounting principle		982
Depreciation and amortization	45,324	40,217
Realized and unrealized changes in fair values	91,731	(166,982)
Gifts of property and equipment	(11,933)	(5,768)
Contributions restricted for investment	(29,547)	(51,747)
Net change in operating assets and liabilities:		
Receivables	(29,561)	9,898
Other assets	(1,725)	3,549
Accounts payable and accrued liabilities	11,824	15,729
Deposits and deferred revenues	(5,842)	(11,545)
Asset retirement obligations	2,047	1,297
Accrued postretirement benefit obligation	(4,469)	(574)
Net cash provided by operating activities	499	14,794
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans to students	(6,196)	(8,592)
Repayment of loans by students	4,052	6,753
Purchases of investments	(773,261)	(1,025,672)
Sales and maturities of investments	807,167	1,017,211
Purchases of land, land improvements, buildings, equipment, and collections	(117,560)	(95,538)
Net cash used in investing activities	(85,798)	(105,838)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for investment	29,547	51,747
Proceeds from issuance of long-term debt	105,000	
Bank loan	80,000	
Long-term debt repurchase	(80,000)	
Change in funds held by bond trustee	(51,773)	36,732
Reduction of long-term debt	(709)	(710)
Change in refundable government student loan funds	262	(424)
Net cash provided by financing activities	82,327	87,345
Net decrease in cash and cash equivalents	(2,972)	(3,699)
Cash and cash equivalents at beginning of year	17,725	21,424
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 14,753**	**$ 17,725**
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 10,724	$ 5,661
Conversion of mortgage to deferred revenues		$ 13,500

See accompanying notes to financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 Inc., and Syracuse University Hotel and Conference Center LLC.

(b) 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.

Unrestricted net assets are not subject to donor stipulations restricting their use but may be designated for specific purposes by the University or may be limited by contractual agreements with outside parties.

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.

Permanently restricted net assets are subject to donor stipulations requiring that they be maintained permanently.

(c) 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 values, and are classified as either permanently restricted or temporarily restricted. Gifts whose restrictions are met in the same fiscal year as their receipt are reported as unrestricted contribution revenues.

(d) Cash and Cash Equivalents

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.

(e) Loans to Students

Loans to students are reported net of an allowance for doubtful accounts of $1.0 million at June 30, 2008 and June 30, 2007 respectively.

(f) Investments

Investments are recorded at fair value. The values of publicly traded fixed income and equity securities are based on quoted market prices and exchange rates. Nonmarketable securities include alternative investments such as hedge funds and private equity funds, which are valued using current estimates of fair value in the absence of readily determinable public market values. Such valuations generally reflect discounts for liquidity and consider variables such as financial performance of investments, including comparison of comparable companies' earning multiples, cash flow analysis, recent sales prices of investments, and other pertinent information. The estimates of fair values, because of the inherent uncertainty of valuation for these investments, may differ from the values that would have been used had a ready market existed. The University believes the carrying amounts of these financial instruments are reasonable estimates of fair value.

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.

(g) 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 for buildings and land improvements is allocated to functional classifications based on square footage. Depreciation expense for equipment is allocated to functional classifications based on the functional classifications of the departments in which equipment is located, and depreciation expense for collections is allocated to the academic support functional classification.

(h) Allocation of Certain Expenses

The statement of activities presents expenses by functional classification. Operation and maintenance of plant is allocated based on square footage, and interest expense is allocated based on the functional purpose for which the debt proceeds were used.

(i) Fair Value of Financial Instruments

At June 30, 2008 and June 30, 2007, the carrying values of the University's cash and cash equivalents, receivables, other assets, accounts payable and accrued liabilities, and deposits and deferred revenues approximated their fair values based on their short-term maturities. An approximate estimate of the fair values of student loan receivables administered by the University under federal government loan programs is not practical because the receivables can only be assigned to the U.S. government or its designees.

(j) Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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, asset retirement obligations, and actuarially determined employee benefit and self-insurance liabilities. Actual results could differ from estimates.

(k) Tax Status

The University and Syracuse University Press Inc. are tax-exempt organizations as described in Section 501(c)(3) of the Internal Revenue Code and are generally exempt from income taxes pursuant to Section 501(a) of the Internal Revenue Code. Syracuse University Hotel and Conference Center LLC, wholly owned by the University, is reported in the University's income tax filings. Drumlins, Inc. is a taxable subsidiary of the University, filing its own tax returns. The income tax consequences, if any, from these entities are reflected in the financial statements but do not have a material effect, individually or in the aggregate, upon the University's financial statements. The Syracuse University (USA) London Program, created for the advancement of education, is a registered charity under the laws of England and, in accordance with U.S. generally accepted accounting principles, is included in the University's financial statements.

(l) Recently Issued Accounting Standards

Effective July 1, 2007, the University adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income tax recognized in an entity's financial statements. FIN 48 requires entities to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. A tax position is measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement. The adoption of FIN 48 had no impact on the University's financial statements.

Effective June 30, 2007, the University adopted the recognition and disclosure provisions of Financial Accounting Standards Board (FASB) Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (Statement 158). Statement 158 requires the University to recognize the unfunded status of the postretirement benefit plan in unrestricted net assets apart from expenses to the extent those changes are not included in the net periodic cost. The funded status reported on the statements of financial position as of June 30, 2008 and June 30, 2007 is equal to the benefit obligation. The University recorded the effect of a change in accounting principle of approximately $1.0 million in the statement of activities for the fiscal year ended June 30, 2007.

(2) RECEIVABLES

The following is a summary of accounts receivable, pledges receivable, and matured bequests receivable at June 30, 2008 and June 30, 2007 (in thousands of dollars):

	2008	2007
Accounts receivable	$ 37,142	$ 29,152
Pledges receivable	74,941	50,276
Matured bequests receivable	5,581	7,364
	117,664	86,792
Allowance for doubtful accounts	(9,967)	(8,656)
Total	**$ 107,697**	**$ 78,136**

Unconditional pledges and matured bequests at June 30, 2008 and 2007 are restricted by donors predominantly for scholarships and other operating purposes. They are expected to be realized in the following periods (in thousands of dollars):

	2008	2007
Less than one year	$ 30,849	$ 22,279
One year to five years	33,406	24,907
More than five years	39,737	27,518
	103,992	74,704
Allowance for uncollectibility	(7,391)	(4,434)
Present value discount	(23,470)	(17,064)
Total	**$ 73,131**	**$ 53,206**

The discount rates used to present value the pledges range from 3.5% to 6.0%.

Conditional promises, which depend on the occurrence of a specified future and uncertain event, are recognized when the conditions are substantially met. Total unrecorded conditional pledges for the University were approximately $28.7 million and $15.7 million as of June 30, 2008 and June 30, 2007, respectively.

(3) INVESTMENTS

Fair values of the University's investments as of June 30, 2008 and June 30, 2007 are summarized in the following table (in thousands of dollars):

Asset Classes	2008	2007
U.S. equity	$ 318,045	$ 418,512
Non-U.S. equity	203,908	278,059
Fixed income	247,844	258,658
Hedge funds	117,131	99,951
Private equity	278,694	212,859
Funds held or administered by others	23,185	20,264
Total	**$1,188,807**	**$1,288,303**

Included in the above table are approximately $395.8 million and $312.8 million at June 30, 2008 and June 30, 2007, respectively, of investments whose carrying values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based upon information provided by the fund managers or general partners.

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

At June 30, 2008 the University's remaining outstanding commitments to private equity partnerships totaled $194.3 million. The projected capital call amounts for the next five fiscal years and thereafter are summarized in the table below (in thousands of dollars):

Fiscal Year	Projected capital calls
2009	$ 61,650
2010	38,527
2011	30,763
2012	24,112
2013	18,623
Thereafter	20,629
Total	**$ 194,304**

At June 30, 2008 the University had hedge fund investments of approximately $117.1 million, of which $79.4 million was restricted from redemption for lock up periods. At June 30, 2007, the University had hedge fund investments of approximately $100.0 million, of which $95.5 million was restricted from redemption for lock up periods. Some of the hedge fund investments with redemption restrictions allow early redemption for specified fees. The expirations of redemption lock up periods are summarized in the table below (in thousands of dollars):

Fiscal Year	Amount
2009	$ 26,275
2010	37,639
2011	15,530
Total	**$ 79,444**

Investment income and realized gains (losses) on the University's investments are summarized in the table below (in thousands of dollars):

	2008			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment income	$ 24,032		$ 3	$ 24,035
Realized gains	39,057	$ 12	1,533	40,602
Total	**$ 63,089**	**$ 12**	**$ 1,536**	**$ 64,637**

	2007			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment income	$ 30,893		$ 4	$ 30,897
Realized gains	133,450			133,450
Total	**$ 164,343**		**$ 4**	**$ 164,347**

Netted in investment income are investment management fees of $6.8 million and $6.5 million in fiscal years 2008 and 2007, respectively.

(4) LAND, LAND IMPROVEMENTS, BUILDINGS, EQUIPMENT, AND COLLECTIONS

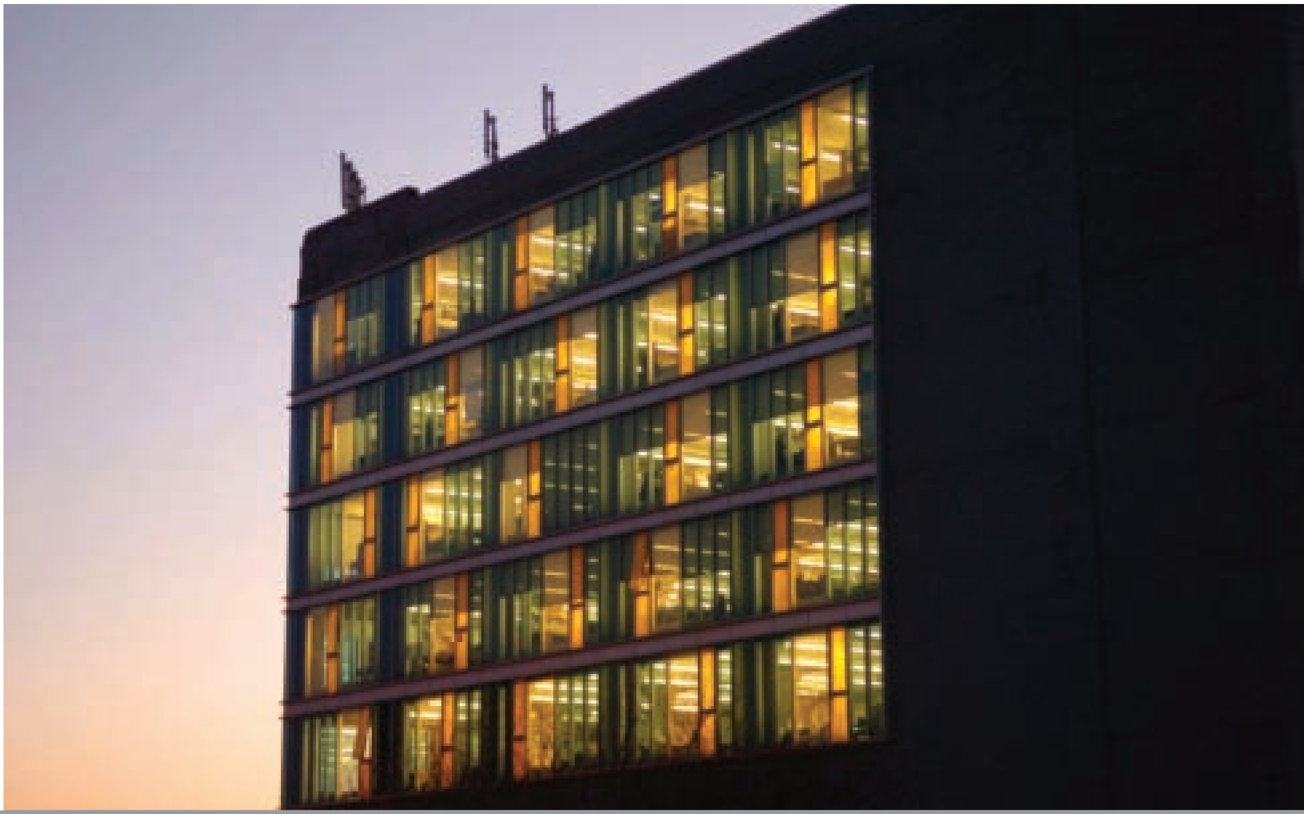
The following is a summary of land, land improvements, buildings, equipment, and collections at June 30, 2008 and June 30, 2007 (in thousands of dollars):

	2008	2007
Land and land improvements	$ 63,054	$ 58,416
Buildings and building equipment	1,074,320	966,514
Equipment	78,604	74,026
Library and art collections	194,586	191,312
	1,410,564	1,290,268
Accumulated depreciation	(622,339)	(586,696)
Total	**$ 788,225**	**$ 703,572**

The University has asset retirement obligations arising from regulatory requirements to perform certain asset retirement activities at the time of disposal of certain capital assets. The liability was initially recorded at fair value and is subsequently adjusted for accretion expense and changes in the amount or timing of cash flows. The corresponding asset retirement costs are capitalized as part of the carrying values of the related long-lived assets and depreciated over the useful lives of the assets. The net book values of the University's related assets were approximately $1.5 million and $1.7 million at June 30, 2008 and June 30, 2007, respectively.

(5) BANK LOAN

At June 30, 2008 the University had an $80.0 million, 364-day bridge loan outstanding with JPMorgan Chase Bank, N.A., which funded the University's repurchase of its Series 2005 Periodic Auction Reset Securities bonds. The loan bears interest at LIBOR plus 75 basis points. The interest rate at June 30, 2008 is fixed at 3.23%. The maturity date of the loan is March 24, 2009.



(6) LONG-TERM DEBT

Long-term debt outstanding at June 30, 2008 and June 30, 2007 is set forth below (in thousands of dollars):

	Fiscal year of maturity	2008	2007
City of Syracuse Industrial Development Agency—			
Civic Facility Variable Rate Revenue Bonds:			
Series 1999A and 1999B (a)	2030	$ 120,000	$ 120,000
Series 2005A and 2005B (b)	2036		80,000
Series 2008A-1 and 2008A-2 (c)	2038	70,000	
Onondaga County Industrial Development Agency—			
Civic Facility Variable Rate Revenue Bond—			
Series 2008B (c)	2038	35,000	
Bank Loan—Syracuse University Hotel			
and Conference Center LLC (d)	2022	12,650	13,310
Other (e)	2010	98	147
Total		**$ 237,748**	**$ 213,457**

(a) Periodic Auction Reset Securities (PARS) bonds that have their interest rates set at weekly auctions. The interest rates at June 30, 2008 and June 30, 2007 were 2.74% and 3.50%, respectively, for Series 1999A, and 3.18% and 3.30%, respectively, 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) PARS bonds that have their interest rates set at weekly auctions. The interest rates at June 30, 2008 and June 30, 2007 were 1.37% and 3.50%, respectively, for Series 2005A, and 1.36% and 3.40%, respectively, for Series 2005B. In March 2008, the University repurchased those bonds. The University continues to make weekly payments of interest to the trustee, who pays the interest to the University as the holder of the bonds. The University may make prepayments of principal, and is required to pay any remaining principal balance on December 1, 2035, the maturity date of the bonds.

(c) Variable rate demand bonds that have their interest rates set on a daily and weekly basis for Series 2008A and Series 2008B, respectively. The interest rates at June 30, 2008 were 1.90% for Series 2008A and 1.20% for Series 2008B. The University makes monthly payments of interest to the bondholders through the trustee. The University may make prepayments of principal, and is required to pay any remaining principal balance on Series 2008A-1 and Series 2008B on July 1, 2037 and on December 1, 2037 for Series 2008A-2, the maturity dates of the bonds.

(d) Loan agreement with JPMorgan Chase Bank, N.A., which is guaranteed by the University. It bears interest at a rate per annum equal to the adjusted LIBOR rate for the applicable interest period plus 0.40% and 0.46% at June 30, 2008 and June 30, 2007, respectively. The applicable LIBOR margin per annum is adjusted based on the Moody's rating assigned to the financial strength of the Guarantor at the onset of each interest period. At June 30, 2008 and June 30, 2007, the interest rates were 2.9% and 5.835%, respectively. The maturity date of the loan is August 5, 2021.

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

In 2007, the University received confirmation from the Empire State Development Corporation that the University's mortgage obligation was forgiven, and from the New York State Foundation for Science, Technology and Innovation Board that the University's plans for high-tech economic development investment in the Syracuse region of an amount equal to the mortgage obligation forgiven was approved. As a result, at June 30, 2007 the University reclassified long-term debt to deferred revenues.

Aggregate principal payments of long-term debt are summarized in the table below (in thousands of dollars):

Fiscal Year		Principal
2009	$	709
2010		709
2011		660
2012		660
2013		660
Thereafter		234,350
Total	**$**	**237,748**

Fiscal years 2008 and 2007 interest and commission expense, net of capitalized interest of $2.8 million and $1.5 million, respectively, totaled $10.7 million and $4.2 million, respectively.

(7) INTEREST RATE SWAP AGREEMENTS AND FOREIGN CURRENCY FORWARD CONTRACTS

The University and the Syracuse University Hotel and Conference Center LLC have entered into interest rate swap agreements with three counterparties as a hedge against interest rate fluctuations for variable rate debt. As of June 30, 2008 there was no requirement to collateralize the obligations under the swap agreements. The University received variable payments equal to 68% of the one-month LIBOR rate from two counterparties for six swap agreements, and received variable payments equal to 100% of the one-month LIBOR rate from one counterparty for one swap agreement. The Syracuse University Hotel and Conference Center LLC received variable payments equal to the one-month LIBOR rate plus .55% from one counterparty for one swap agreement.

As of June 30, 2008, the University paid three counterparties a weighted average fixed interest rate of 3.471% on a total notional amount of $385.0 million, which related to its variable rate revenue bonds and bank loan. As of June 30, 2007, the University paid two counterparties a weighted average fixed interest rate of 3.676% on a total notional amount of $200.0 million, which related to its variable rate revenue bonds. The Syracuse University Hotel and Conference Center LLC paid one counterparty a fixed interest rate of 5.303% on notional amounts of $12.7 million and $13.3 million as of June 30, 2008 and June 30, 2007, respectively, that related to its loan with JPMorgan Chase Bank, N.A..

At June 30, 2008 and June 30, 2007, the fair values of the University's swap agreements were ($15.3) million and $9.1 million, respectively, and the Syracuse University Hotel and Conference Center LLC swap agreement fair values were ($.1) million and $.8 million, respectively. The June 30, 2008 total of ($15.4) million was included in accounts payable and accrued liabilities and the June 30, 2007 total of $9.9 million was included in other assets.

The decreases of $25.3 million and $.3 million in the fair values of the interest rate swap agreements were included in the unrealized changes in fair values of interest rate swap agreements and foreign currency forward contracts for the years ended June 30, 2008 and June 30, 2007, respectively. Net cash income amounts of $.1 million and $.2 million received under the interest rate swap agreements were included in interest expense at June 30, 2008 and June 30, 2007, respectively.

At June 30, 2008 and June 30, 2007, the University had commitments for foreign currency forward contracts of approximately $24.6 million and $23.4 million, respectively, to hedge foreign exchange rate exposure for its programs abroad. Fair values of foreign currency forward contract commitments of $.5 million and $1.3 million, respectively, were included in other assets. For the years ended June 30, 2008 and June 30, 2007 the decrease of $.8 million and $.2 million, respectively, in fair values of foreign currency forward contract commitments were included in the unrealized changes in fair values of interest rate swap agreements and foreign currency forward contracts.

(8) TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2008 and June 30, 2007, temporarily and permanently restricted net assets were comprised as follows (in thousands of dollars):

	2008		2007	
	Temporarily restricted	Permanently restricted	Temporarily restricted	Permanently restricted
Pledges and bequests receivable	$ 52,082	$ 21,049	$ 33,803	$ 19,437
Other	3,330	2,428	843	1,324
Funding for facilities	3,342		3,296	
Funding for student loans		3,190		3,087
Life income, annuity, and similar funds	4,238	4,975	3,780	5,671
Endowment funds	19,135	270,347	17,080	250,020
Total net assets	**$ 82,127**	**$ 301,989**	**$ 58,802**	**$ 279,539**

(9) 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 years 2008 and 2007 were approximately $26.7 million and $25.3 million, respectively.

The University also provides health and life insurance benefits for eligible employees upon retirement at the University's early or normal retirement ages. Effective June 30, 2007, the University adopted FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (Statement 158). Information with respect to the plans is as follows (in thousands of dollars):

	2008	2007
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	$ 46,244	$ 48,165
Service cost	2,775	2,944
Interest cost	2,427	2,593
Plan participants' contributions	470	456
Actuarial gain	(6,548)	(4,368)
Benefits paid	(3,744)	(3,681)
Medicare Part D prescription drug federal subsidy	151	135
Accrued postretirement benefit obligation	**$ 41,775**	**$ 46,244**

Other changes in the postretirement benefit obligation recognized in unrestricted net assets in fiscal year 2008 were as follows (in thousands of dollars):

	2008
Net gain	$ (6,548)
Amortization of:	
Net losses	(578)
Prior service credits	4,040
Total recognized in unrestricted net assets	**$ (3,086)**

Net periodic postretirement benefit cost reported as expense in the statements of activities includes the following components (in thousands of dollars):

	2008	2007
Service cost	$ 2,775	$ 2,944
Interest cost	2,427	2,593
Amortization of net actuarial loss	578	1,019
Amortization of prior service credits	(4,040)	(4,040)
Net periodic postretirement benefit cost	**$ 1,740**	**$ 2,516**

For measurement purposes, a 7% and a 10% annual rate of increase in the per capita cost of covered healthcare and prescription drug benefits, respectively, was assumed as of June 30, 2008. The rates were assumed to decrease to 5% for healthcare by fiscal year 2013 and 6% for prescription drug benefits by fiscal year 2018 and remain at that level thereafter. Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. It is estimated, based on actuarial calculations, that a one-percentage point change in the healthcare 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	$ 404	$ (554)
Effect on postretirement benefit obligation	$ 1,676	$ (2,620)

Weighted average assumptions used to determine benefit obligations and net periodic postretirement benefit costs for fiscal years 2008 and 2007 were as follows:

	2008		2007	
	Benefit obligations	Net periodic postretirement benefit costs	Benefit obligations	Net periodic postretirement benefit costs
Discount rate	6.80%	6.10%	6.10%	6.25%
Rate of compensation increase	None	None	None	None

Contributions to the postretirement benefit plans, net of employee contributions and the Medicare subsidy, are estimated to be $3.2 million for fiscal year 2009.

The net benefits expected to be paid in each fiscal year from 2009 through 2013 are approximately $3.2 million. The expected benefits are based on the same assumptions used to measure the University's benefit obligation at June 30, 2008 and include estimated future employee service.

The University adopted Statement 158 as of June 30, 2007 and recognized approximately $1.0 million in the fiscal year 2007 statement of activities as the effect of a change in accounting principle decreasing unrestricted net assets.

In addition to service and interest costs, the components of projected net periodic postretirement benefit cost for fiscal year 2009 are amortization of prior service credit of approximately $3.9 million and amortization of actuarial losses of approximately $.4 million.

(10) 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 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 resolutions 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 and in a section of downtown Syracuse. 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, 2008 and June 30, 2007 had aggregate principal amounts of approximately $6.5 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.

The Syracuse University (USA) London Program leases a building in London, England. The lease commenced in fiscal year 2006 and has a term of 20 years. The current annual rent is approximately $1.3 million, and is subject to change at specific times during the lease term. The London Program holds options to extend the lease term for two five-year periods.

The University had letters of credit aggregating $9.5 million at June 30, 2008 and June 30, 2007 covering potential claims under the University's workers' compensation plan and there were no outstanding amounts against the letters of credit.

The 2008 Orange men's lacrosse team met with President George W. Bush at the White House during the NCAA Day of Champions in June.

Photo by Eric Draper

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