FINANCIAL REPORT 2009

SYRACUSE UNIVERSITY


FREEDOM
PRESS

TABLE OF CONTENTS

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Nancy Cantor
Chancellor and President

THE PAST YEAR BROUGHT EXTRAORDINARY CHALLENGES TO AMERICAN HIGHER EDUCATION with the intense, global economic downturn. At Syracuse University, responding to these challenges required all of our attention, as we established and pursued specific goals to maintain the University's momentum. We believe we met them.

We supported our new and returning students from across the income spectrum with $167 million of institutional aid, recruiting our most economically and socially diverse class ever in the process. As a strong indicator of our affordability and student economic diversity, 27% of students from this year's class are Pell Grant-eligible, a widely accepted definition of lower income. This bolsters our leadership on this crucial issue, as SU already ranks 4th in the nation among major private colleges and universities in percent of Pell-eligible students.

We also increased affordability for a broader range of families than ever before by ensuring that lower income students graduate with a more manageable debt, increasing aid to middle-income students, and meeting full need for all incoming students. When the global economy's slide was at its steepest, we mounted a lightning-quick, mid-year fundraising campaign to help students and their families who were suddenly strapped by the economic downturn. Rallying to the cry "Keep 'em Cuse," the SU family did just that, providing crucial resources to assure that hundreds of our students returned to SU.

While the economy put everyone at risk of narrowing their vision—or worse, looking backward—we forged ahead with faculty searches, both to fill vacancies and invest strategically in traditional and emerging areas of strength, while taking advantage of the strong market for top-notch faculty talent. This resulted in our recruiting 98 new professors from leading universities across the nation and globe, comprising one of SU's most competitive new faculty cohorts ever in areas ranging from information security to inclusive education, and architecture to physics, as well as innovative, cross-cutting academic programs such as biomaterials. We also strengthened the academic infrastructure to sustain our enterprising faculty. By unanimous action of the University Senate last spring, we institutionalized innovation through enhancements to the tenure and promotion processes that integrate public scholarship formally into SU's core value system.

Likewise, we forged ahead with strategic investments in new and emerging academic program strengths. Through our extensive collaboration with global financial services leader JPMorgan Chase, for example, we jointly developed and launched a new curriculum in Global Enterprise Technology that is preparing students from departments across campus to be tomorrow's chief information officers. We deepened and broadened our local engagements from the Connective Corridor to the Near West Side Initiative to the Syracuse Center of Excellence in Environmental and Energy Systems, all of which generated expansive opportunities for creative exchange and pioneering research by our faculty and equally expansive opportunities for our students to prepare *for* the world *in* the world. We also developed our infrastructure in key regions of the nation by creating new programs, such as the L.A. Semester, which not only offer current students incredible immersion opportunities, but establish a strong presence in markets from which we know students of the future increasingly will come.

Throughout all of this, we remained a strong regional employer, maintaining a merit-increase salary program for lower-paid faculty and staff and honoring our union commitments. At the same time, we adopted prudent cost containment measures to fit these extraordinary times that will enable us to realize $11 million in savings annually through administrative and operating budget cuts, a one-year salary freeze for higher-paid employees, and reductions in travel and other non-essential expenses.

The entire SU community should be proud of how we came together in collaborative ways to achieve all of this and more, especially in such tumultuous times. We not only maintained our incredibly positive momentum, but found very good reason to be optimistic about tomorrow.

Cordially,

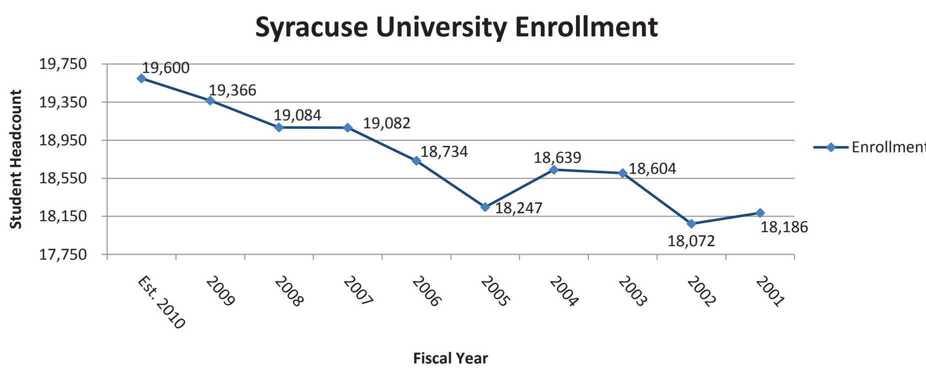
Nancy Cantor
Chancellor and President

Louis G. Marcoccia
Executive Vice President
and Chief Financial Officer

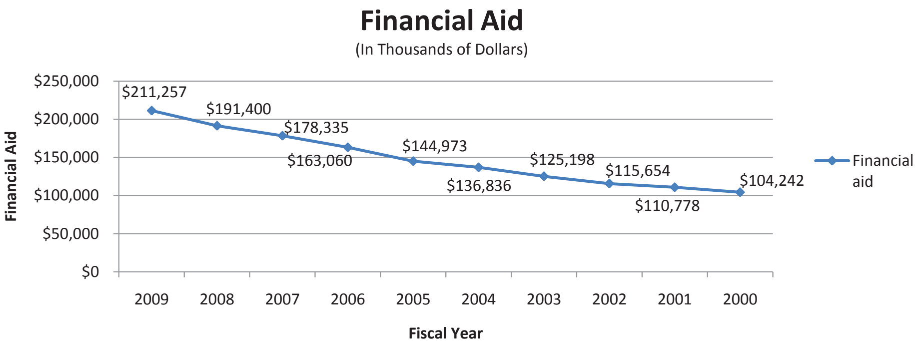
FISCAL YEAR 2009 OVERVIEW

FISCAL YEAR 2009 PRESENTED MANY FINANCIAL CHALLENGES FOR HIGHER EDUCATION INSTITUTIONS. Colleges and universities were required to deal with the financial consequences of deterioration in financial markets, including significant declines in their endowments, while attempting to sustain and enhance the quality of their programs, services, operations, and support for their students. Syracuse University successfully met all of its financial challenges and remained focused on maintaining its academic momentum and its commitment to its core academic programs and activities largely as a result of substantial positive financial results and targeted funding allocation in previous years. Its continuing forward looking, anticipatory, nimble, and adaptable financial planning and execution; its focused and targeted allocation of its resources to its academic mission; its commitment to ensuring that students are provided sufficient financial assistance to obtain a Syracuse University degree; and its forging of new and innovative collaborations and partnerships both internal and external to the University are the key components of its financial plan and future success.

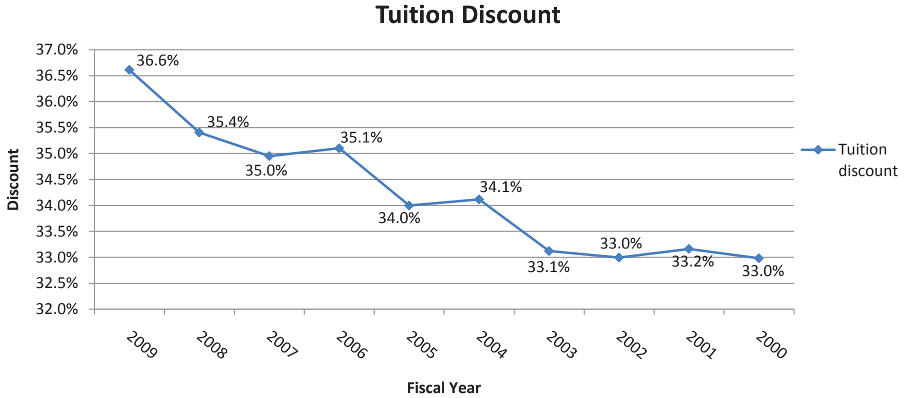
The University is comprised of approximately 5,200 faculty and staff, and it has achieved a fiscal year 2009 enrollment of almost 19,400 undergraduate, graduate, and law students. As noted in the following chart, student enrollment over the past nine years showed a steady increase. Additionally, preliminary fall 2009 enrollment totals approximately 19,600 students, which represents an increase of approximately 200 students from fiscal year 2009.



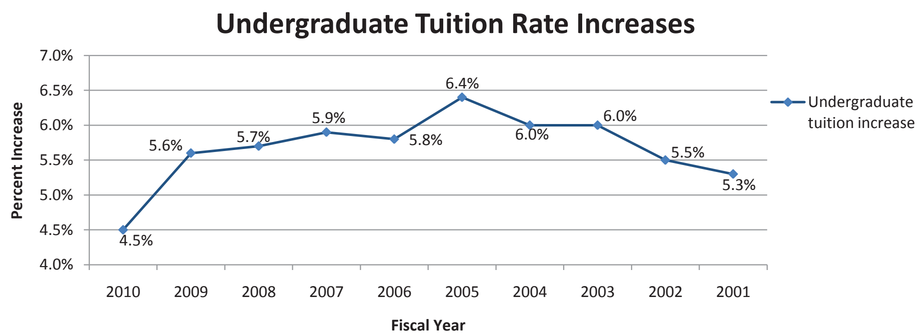
Recognizing the financial affordability challenges and hardships faced by many students and their families, the University has committed to increasing its tuition discount. It is important to note that more than two-thirds of the University's student body receives some form of financial aid from the University. As illustrated in the following chart, over the past ten years, the financial aid awarded to University students for tuition has grown by approximately 103% to the amount of $211.3 million being awarded in fiscal year 2009.



As graphically exhibited below, the discount rate has steadily increased during the most recent ten fiscal years to 36.6%. The fiscal year 2010 tuition discount is expected to increase to be approximately 37.0%.



Combined with the commitment to increase its tuition discount, the University has intentionally decreased its undergraduate tuition rate increases during the past five years, thus, demonstrating the University's commitment to making its cost of attendance as affordable as possible for its students. The undergraduate tuition rate increase from fiscal year 2009 to fiscal year 2010, depicted in the following graph, was 4.5%, the lowest percentage increase in several decades.



Several cost eliminations and containment initiatives were instituted in fiscal year 2009 to further ensure that the University sustains its forward momentum. This was accomplished by a review of the University's administrative units for efficiency changes and cost reductions of operating and personnel budgets. As a result, budget reductions of $8.0 million and $11.0 million were realized in the fiscal year 2009 budget and the fiscal year 2010 budget, respectively. In addition, administrative areas continue to examine their operations and functions for spending and quality efficiency changes and transformation initiatives to further reduce costs and better assign resources to support the University's mission.

While many colleges and universities had to resort to drastic cost cutting measures as a result of falling endowment returns, including significant lay-offs, cessation of capital projects and borrowing to meet short-term cash needs, the forward looking, nimble, and adaptable ability of the University's strong financial management leadership team significantly benefited the University in being well prepared and readily able to address the current economic conditions and challenges.

The University's core programs and activities have been sustained and enhanced through new funding and reallocations of resources, and this was accomplished without faculty hiring freezes; with liquidity being preserved; and with mission critical construction projects being continued. Significant critical construction projects include the following.

- The Green Data Center, that will open in late fall 2009, will be a first-of-its-kind energy efficient data center utilizing a number of innovations developed by both the University and its corporate partner co-sponsoring the development and construction, IBM. Patented micro turbines and absorption chillers will be the primary source of electricity, heating, and cooling; excess heat and chilled water will be utilized in an adjacent facility to reduce that building's energy requirements; and the use of new technology in the form of water-cooled cabinets to be placed around individual computer racks will allow each rack to be cooled independently, dynamically matching the cooling delivered to each rack's load. This equipment configuration has not been used in data centers before.

- The Center of Excellence headquarters will open in fall 2009, and will be a facility to provide collaboration spaces for academic, public and private/corporate partners in research and development, education, and public outreach. Some of the features of the Center of Excellence include laboratories for research and development of new fuels and by-products from rapidly renewable biological sources; a "green" roof, which will reduce storm water run-off, reduce the urban heat island effect, improve insulation of the laboratories, and produce oxygen; and an "Urban Ecosystem Observatory", a 250-foot tall tower from which measurements of outdoor air quality will be taken at multiple elevations for studies including the impact of buildings on urban ecosystems.

- The Ernie Davis residence hall that opened for the fall 2009 semester houses 250 students and provides a well-rounded living experience continuing the University's demonstration of its desire to increase the quality of on-campus living. The hall, named for Ernie Davis, the first African American and the only Syracuse University football player to win the Heisman trophy, is the University's first new residence hall in more than 40 years. It is a nine-story building containing a mix of single and double living units with each floor having a lounge, pantry area, study space, and laundry room, and providing recreation space, dining service space, academic space, and other support space.

- Bowne Hall renovations, to be completed by the fall 2010 semester, will provide a new interdisciplinary cluster for research in the field of biomaterials. This cluster is based in the L.C. Smith College of Engineering and Computer Science and will include Biology, Chemistry, and other disciplines. The program envisions space for seven to ten researchers, with laboratories, offices, and administrative space to support the program.

The University has forged several strategic partnerships and collaborations to allow for leverage of its most valuable resources and to utilize the knowledge, innovation, and capabilities of select companies. Two of the major strategic collaborations include partnerships with IBM and with JPMorgan Chase Bank, N.A.

As noted earlier, the University and IBM have partnered to construct and operate a data center that is expected to use 50% less energy than typical making it one of the "greenest" in operation. The University will use the data center for its computing operations and also to research and develop new data center energy efficiency analyses and modeling tools. IBM will utilize the data center as a model for its clients in designing such facilities and/or in implementing new energy efficient operations.

The University has also partnered with JPMorgan Chase Bank, N.A., to collaborate on the development of education and work experience innovations in financial services information technology. As a result, several outcomes have already materialized. The University's School of Information Studies introduced a new interdisciplinary minor in Global Enterprise Technology, which prepares students to develop and manage such systems; the JPMorgan Chase summer internship program was enhanced for Syracuse University interns "…to provide an experience that embodied experiential and problem-based learning principles."; a speaker series was created, bringing JPMorgan Chase employees and professionals to campus to present and meet with students, sharing their knowledge and industry experience; several research projects, combining

both academic and business criteria, have been launched; and finally, a technology center was opened in one of the University's main campus facilities that allows for faculty, students, researchers, and JPMorgan Chase employees to engage in internships, experiential learning, and joint research projects.

Additional new initiatives being undertaken by the University include its engagement with private outside developers for construction of new facilities on University-owned property. The first such development is a new housing complex located on South Campus that opened in fall 2009. It is owned and operated by private developer Allen & O'Hara, and is comprised of five buildings providing apartments with a total of 432 beds as well as a clubhouse that includes common recreation and study space. A contract with another private developer will provide additional student housing on the University's North Campus, and the University is also contemplating additional agreements with other private developers for both student housing and student programs and support facilities.

For fiscal year 2010, the University stands ready and is equipped to address financial challenges. As global economic markets begin to show improvement over the prior fiscal year, the University's enrollment continues to be strong and growing; its tuition discount continues to be well planned and managed to meet the needs of students and their families; it continues to develop new program enhancing collaborations and partnerships; and it continues its transformation to grow and lead, all of which are targeted to support its vision, *Scholarship in Action*.

RECOGNITION

The University's Business, Finance, and Administrative Services division continues to conduct its business in a fiscally responsible manner in accordance with best practices and the highest ethical standards. Best practice financial planning and management services continue to be important contributors in support of the University's mission and vision. Principal providers of leadership in achievement and support of those services include 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 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, 2009 and 2008, 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, 2009 and 2008, 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

July 30, 2009

JUNE 30, 2009 AND 2008

In Thousands of Dollars	2009	2008
ASSETS		
Cash and cash equivalents	$ 40,167	$ 14,753
Loaned securities and swap agreement collateral	73,881	134,056
Receivables	113,551	107,697
Other assets	24,139	22,980
Loans to students	30,163	29,764
Investments	855,677	1,188,807
Funds held by bond trustee	41,077	69,594
Land, land improvements, buildings, equipment, and collections	850,352	788,225
TOTAL ASSETS	**$ 2,029,007**	**$ 2,355,876**
LIABILITIES		
Loaned securities	$ 65,581	$ 134,056
Accounts payable and accrued liabilities	121,343	109,270
Bank loan		80,000
Deposits and deferred revenues	46,174	46,792
Asset retirement obligations	28,645	29,630
Accrued postretirement benefit obligation	43,965	41,775
Long-term debt	317,039	237,748
Refundable government student loan funds	25,637	25,260
Total liabilities	648,384	704,531
NET ASSETS		
Unrestricted	1,000,636	1,267,229
Temporarily restricted	63,959	82,127
Permanently restricted	316,028	301,989
Total net assets	1,380,623	1,651,345
TOTAL LIABILITIES AND NET ASSETS	**$ 2,029,007**	**$ 2,355,876**

See accompanying notes to financial statements.

YEAR ENDED JUNE 30, 2009

With Comparative Totals for Year Ended June 30, 2008

In Thousands of Dollars	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2008
REVENUES					
Tuition and fees	$ 577,007			$ 577,007	$ 540,599
Less: financial aid	211,257			211,257	191,400
Net tuition and fees	365,750			365,750	349,199
Contributions	47,098	$ 7,484	$ 16,216	70,798	89,412
Grants and contracts	96,991			96,991	70,173
Investment (loss) return	(103,326)	79	878	(102,369)	64,637
Auxiliaries, less financial aid of $6.0 million and $5.5 million in 2009 and 2008, respectively	165,419			165,419	158,669
Other	13,753			13,753	16,513
Net assets released from restrictions	14,512	(14,512)			
Total revenues	600,197	(6,949)	17,094	610,342	748,603
EXPENSES					
Instruction and departmental research	281,653			281,653	278,395
Sponsored research and other programs	83,736			83,736	56,763
Academic support	85,833			85,833	81,505
Student services	44,906			44,906	46,091
Institutional support	74,024			74,024	78,041
Auxiliaries	146,230			146,230	142,826
Total expenses	716,382			716,382	683,621
(Decrease) increase in net assets before unrealized changes in fair values of investments, interest rate swap agreements, and foreign currency forward contracts	(116,185)	(6,949)	17,094	(106,040)	64,982
Unrealized changes in fair values:					
Investments	(121,110)	(11,219)	(3,055)	(135,384)	(106,191)
Interest rate swap agreements, and foreign currency forward contracts	(25,843)			(25,843)	(26,141)
Total unrealized changes in fair values	(146,953)	(11,219)	(3,055)	(161,227)	(132,332)
(Decrease) increase in net assets before postretirement benefit obligation changes other than net periodic cost	(263,138)	(18,168)	14,039	(267,267)	(67,350)
Postretirement benefit obligation changes other than net periodic cost	(3,455)			(3,455)	3,086
(Decrease) increase in net assets	(266,593)	(18,168)	14,039	(270,722)	(64,264)
Net assets at beginning of year	1,267,229	82,127	301,989	1,651,345	1,715,609
NET ASSETS AT END OF YEAR	**$1,000,636**	**$ 63,959**	**$ 316,028**	**$1,380,623**	**$1,651,345**

See accompanying notes to financial statements.

YEAR ENDED JUNE 30, 2008

In Thousands of Dollars	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Tuition and fees	$ 540,599			$ 540,599
Less: financial aid	191,400			191,400
Net tuition and fees	349,199			349,199
Contributions	38,652	$ 29,849	$ 20,911	89,412
Grants and contracts	70,173			70,173
Investment return	63,089	12	1,536	64,637
Auxiliaries, less financial aid of $5.5 million	158,669			158,669
Other	16,513			16,513
Net assets released from restrictions	8,582	(8,582)		
Total revenues	704,877	21,279	22,447	748,603
EXPENSES				
Instruction and departmental research	278,395			278,395
Sponsored research and other programs	56,763			56,763
Academic support	81,505			81,505
Student services	46,091			46,091
Institutional support	78,041			78,041
Auxiliaries	142,826			142,826
Total expenses	683,621			683,621
Increase in net assets before unrealized changes in fair values of investments, interest rate swap agreements, and foreign currency forward contracts	21,256	21,279	22,447	64,982
Unrealized changes in fair values:				
Investments	(108,240)	2,046	3	(106,191)
Interest rate swap agreements, and foreign currency forward contracts	(26,141)			(26,141)
Total unrealized changes in fair values	(134,381)	2,046	3	(132,332)
(Decrease) increase in net assets before postretirement benefit obligation changes other than net periodic cost	(113,125)	23,325	22,450	(67,350)
Postretirement benefit obligation changes other than net periodic cost	3,086			3,086
(Decrease) increase in net assets	(110,039)	23,325	22,450	(64,264)
Net assets at beginning of year	1,377,268	58,802	279,539	1,715,609
NET ASSETS AT END OF YEAR	**$ 1,267,229**	**$ 82,127**	**$ 301,989**	**$1,651,345**

See accompanying notes to financial statements.

YEARS ENDED JUNE 30, 2009 AND 2008

In Thousands of Dollars	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	$ (270,722)	$ (64,264)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Postretirement benefit obligation changes other than net periodic cost	3,455	(3,086)
Depreciation and amortization	46,136	45,324
Realized and unrealized changes in fair values	281,702	91,731
Gifts of property and equipment	(23,614)	(11,933)
Contributions restricted for investment and physical facilities	(17,999)	(29,547)
Net change in operating assets and liabilities:		
Receivables	(5,854)	(29,561)
Other assets	246	(1,725)
Accounts payable and accrued liabilities	(13,922)	5,972
Deposits and deferred revenues	(618)	(5,842)
Asset retirement obligations	(985)	2,047
Accrued postretirement benefit obligation	(1,265)	1,383
Net cash (used in) provided by operating activities	(3,440)	499
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash held as collateral	(8,300)	
Loans to students	(3,282)	(6,196)
Repayment of loans by students	2,884	4,052
Purchases of investments	(536,125)	(773,261)
Sales and maturities of investments	613,395	807,167
Purchases of land, land improvements, buildings, equipment, and collections	(85,902)	(117,560)
Net cash (used in) investing activities	(17,330)	(85,798)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for investment and physical facilities	17,999	29,547
Proceeds from issuance of long-term debt	80,000	105,000
Bank loan	(80,000)	80,000
Long-term debt repurchase		(80,000)
Change in funds held by bond trustee	28,517	(51,773)
Reduction of long-term debt	(709)	(709)
Change in refundable government student loan funds	377	262
Net cash provided by financing activities	46,184	82,327
Net increase (decrease) in cash and cash equivalents	25,414	(2,972)
Cash and cash equivalents at beginning of year	14,753	17,725
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 40,167**	**$ 14,753**
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 14,397	$ 10,724

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 reported 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, 2009 and June 30, 2008.

(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.

(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) 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.

(j) 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, and 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.

(k) Recently Issued Accounting Standards

Effective July 1, 2008, the University adopted Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurements* (Statement 157). Statement 157 defines fair value, requires expanded disclosures about fair value measurements, and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Effective June 30, 2009, the University elected to apply the concepts of FASB Staff Position No. FAS 157-g, *Estimating the Fair Value of Investments in Investment Companies That Have Calculated Net Asset Value per Share in Accordance with the AICPA Audit and Accounting Guide, Investment Companies*, to its hedge fund and private equity investments. This guidance amends Statement 157 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent.

Effective July 1, 2008, the University adopted FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (Statement 159). Statement 159 permits entities to choose to measure eligible items at fair value at specified election dates. It does not affect any existing accounting literature requiring certain assets and liabilities to be carried at fair value, and does not eliminate disclosure requirements included in other accounting standards. The fair value option may be applied instrument by instrument, is irrevocable, and is applied only to entire instruments and not to portions of instruments. The University elected not to change the valuation methodology of financial assets and liabilities, and thus the adoption of Statement 159 had no impact on the University's financial statements.

Effective June 30, 2009, the University adopted FASB Statement No. 165, *Subsequent Events* (Statement 165). Statement 165 establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The University evaluated events subsequent to June 30, 2009 and through July 30, 2009, the date on which the financial statements were approved for issuance. The adoption of Statement 165 had no impact on the University's financial statements.

Effective July 1, 2008, the University adopted FASB Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), and requires disclosures about endowment funds. As of June 30, 2009, New York State had not enacted the provisions of UPMIFA and, accordingly, the impact of FSP 117-1 has been limited to additional disclosures regarding the University's endowment funds.

Effective July 1, 2007, the University adopted 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.

(2) RECEIVABLES

The following is a summary of accounts receivable, pledges receivable, and matured bequests receivable at June 30, 2009 and June 30, 2008 (in thousands of dollars):

	2009	2008
Accounts receivable	$ 43,578	$ 37,142
Pledges receivable	70,573	74,941
Matured bequests receivable	9,075	5,581
	123,226	117,664
Allowance for doubtful accounts	(9,675)	(9,967)
Total	**$ 113,551**	**$ 107,697**

Unconditional pledges and matured bequests at June 30, 2009 and June 30, 2008 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):

	2009	2008
Less than one year	$ 34,649	$ 30,849
One year to five years	28,228	33,406
More than five years	38,022	39,737
	100,899	103,992
Allowance for uncollectibility	(7,433)	(7,391)
Present value discount	(21,251)	(23,470)
Total	**$ 72,215**	**$ 73,131**

The discount rates used to present value the pledges range from 2.2% to 6.0%.

Conditional promises, which depend on the occurrence of a specified future or uncertain event, are recognized when the conditions are substantially met. Total unrecorded conditional pledges for the University were approximately $24.5 million and $28.7 million as of June 30, 2009 and June 30, 2008, respectively.

(3) FAIR VALUE

At June 30, 2009 and June 30, 2008, 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. 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.

Under Statement 157, which prioritizes the inputs to valuation techniques used to measure fair value, the three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the University has the ability to access at measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

Level 3 inputs are unobservable inputs for the assets or liabilities.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The University's assets and liabilities at June 30, 2009 that are reported at fair value are summarized in the following table by their fair value hierarchy (in thousands of dollars):

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
U.S. equity	$ 139,101	$ 20,406	$ 83	$ 159,590
Non-U.S. equity	77,987	7,620		85,607
Fixed income	4,557	227,733	1,549	233,839
Hedge fund		5,909	102,455	108,364
Private equity			249,890	249,890
Funds held or administered by others	97	18,290		18,387
Total investments	**221,742**	**279,958**	**353,977**	**855,677**
Other assets:				
Funds held by bond trustee	41,077			41,077
Foreign currency forward contracts		1,746		1,746
Total assets	**$ 262,819**	**$ 281,704**	**$ 353,977**	**$ 898,500**
Liabilities:				
Interest rate swap agreements		$ (42,501)		$ (42,501)
Total liabilities		**$ (42,501)**		**$ (42,501)**

The following table presents the University's activity for the fiscal year ended June 30, 2009 for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in Statement 157 (in thousands of dollars):

	Private Equity	Hedge Fund	Fixed Income and U.S. Equity	Total
Fair value at June 30, 2008	$ 278,694	$ 112,385	$ 1,800	$ 392,879
Transfers			(115)	(115)
Acquisitions	51,732	27,932	4	79,668
Dispositions	(29,497)	(10,730)	(170)	(40,397)
Investment return (loss)	1,695	(2,817)	59	(1,063)
Unrealized (losses) gains on investments	(52,734)	(24,315)	54	(76,995)
Fair value at June 30, 2009	**$ 249,890**	**$ 102,455**	**$ 1,632**	**$ 353,977**

(4) INVESTMENTS

Fair values of the University's investments as of June 30, 2009 and June 30, 2008 are summarized in the following table (in thousands of dollars):

Asset Classes	2009	2008
U.S. equity	$ 159,590	$ 318,045
Non-U.S. equity	85,607	203,908
Fixed income	233,839	247,844
Hedge fund	108,364	117,131
Private equity	249,890	278,694
Funds held or administered by others	18,387	23,185
Total	**$ 855,677**	**$1,188,807**

Included in the prior table are approximately $358.3 million and $395.8 million at June 30, 2009 and June 30, 2008, 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, 2009, the University's remaining outstanding commitments to private equity partnerships totaled $153.3 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
2010	$ 39,505
2011	36,125
2012	27,490
2013	20,905
2014	14,668
Thereafter	14,569
Total	**$ 153,262**

The private equity partnerships have ten year terms, with extensions of one to four years. As of June 30, 2009, the average remaining life of the private equity partnerships is approximately 5 years.

At June 30, 2009, the University had hedge fund investments of approximately $108.4 million, of which $58.5 million was restricted from redemption for lock up periods. 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. Some of the hedge fund investments with redemption restrictions allow early redemption for specified fees. The terms and conditions upon which an investor may redeem an investment vary, usually with the majority requiring 30 to 180 days notice after the initial lock up period.

The expirations of redemption lock up periods are summarized in the table below (in thousands of dollars):

Fiscal Year	Amount
2010	$ 37,035
2011	16,162
2012	5,328
Total	**$ 58,525**

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

	2009			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment income	$ 18,107			$ 18,107
Realized (losses) gains	(121,433)	$ 79	$ 878	(120,476)
Total	**$ (103,326)**	**$ 79**	**$ 878**	**$ (102,369)**

	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**

Netted in investment income are investment management fees of $4.2 million and $6.8 million in fiscal years 2009 and 2008, respectively.

(5) ENDOWMENT FUNDS

The University's endowment consists of approximately 1,850 individual funds established for a variety of purposes, including both donor restricted endowment funds and funds designated by the University to function as endowments (quasi endowment). At June 30, 2009, the fair values of approximately 480 endowment accounts were less than their original fair value ("underwater") by a total of approximately $33.4 million.

The University employs an asset allocation spending model having a seven-year investment horizon, and it manages its long term investments in accordance with the total return concept and the goal of maximizing long term return within acceptable levels of risk. The University's spending policy is designed to provide a stable level of financial support and to preserve the real value of its endowment. The University compares the performance of its investments against several benchmarks, including its asset allocation spending model policy index.

The University's Trustee Investment and Endowment Committee approves the annual distribution per unit. The distribution per unit is calculated by multiplying the average of the monthly unit market values during the previous three fiscal years by the percentage approved by the Committee each year. The percentage approved for fiscal years 2009 and 2008 was 4.4%. For fiscal years 2009 and 2008, the distributions per unit were $23.21 and $21.63, respectively.

FSP 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (UPMIFA), prescribes new guidelines for expenditures of a donor restricted endowment fund. Its predecessor, the Uniform Management of Institutional Funds Act of 1972 (UMIFA), focused on the prudent spending of the net appreciation of a fund.

The University has interpreted the UMIFA and New York State Trust Laws as requiring the preservation of the original gift of the donor restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. Donor restricted amounts reported below include term endowments reported as temporarily restricted net assets, and appreciation, net of the underwater amount of endowment funds, reported as unrestricted net assets.

Endowment net assets consisted of the following at June 30, 2009 and June 30, 2008 (in thousands of dollars):

2009	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	$ 37,801	$ 5,594	$ 269,632	$ 313,027
Quasi (Board designated)	243,876			243,876
Total	**$ 281,677**	**$ 5,594**	**$ 269,632**	**$ 556,903**

2008	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	$ 185,216	$ 16,826	$ 256,840	$ 458,882
Quasi (Board designated)	389,508			389,508
Total	**$ 574,724**	**$ 16,826**	**$ 256,840**	**$ 848,390**

Changes in endowment net assets for the fiscal years ended June 30, 2009 and June 30, 2008 were as follows (in thousands of dollars):

2009	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets June 30, 2008	$ 574,724	$ 16,826	$ 256,840	$ 848,390
Investment return	(114,756)		(72)	(114,828)
Unrealized losses	(116,303)	(11,219)		(127,522)
Contributions	143	6	12,181	12,330
Distributions	(62,620)		845	(61,775)
Transfers	489	(19)	(162)	308
Net assets June 30, 2009	**$ 281,677**	**$ 5,594**	**$ 269,632**	**$ 556,903**

2008	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets June 30, 2007	$ 689,776	$ 14,771	$ 236,502	$ 941,049
Investment return	54,030		14	54,044
Unrealized (losses) gains	(109,768)	2,046		(107,722)
Contributions	120	93	16,994	17,207
Distributions	(58,658)		1,418	(57,240)
Transfers	(776)	(84)	1,912	1,052
Net assets June 30, 2008	**$ 574,724**	**$ 16,826**	**$ 256,840**	**$ 848,390**

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

The following is a summary of land, land improvements, buildings, equipment, and collections at June 30, 2009 and June 30, 2008 (in thousands of dollars):

	2009	2008
Land and land improvements	$ 63,391	$ 63,054
Buildings and building equipment	1,170,567	1,074,320
Equipment	74,462	78,604
Library and art collections	196,166	194,586
	1,504,586	1,410,564
Accumulated depreciation	(654,234)	(622,339)
Total	**$ 850,352**	**$ 788,225**

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.

(7) 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 bore interest at LIBOR plus 75 basis points. The interest rate at June 30, 2008 was fixed at 3.23%. The maturity date of the loan was March 24, 2009. The University repaid the loan using proceeds from the conversion and reissuance of its Series 2005 bonds.

(8) LONG-TERM DEBT

Long term debt outstanding at June 30, 2009 and June 30, 2008 is set forth below (in thousands of dollars):

	Fiscal year of maturity	2009	2008
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	70,000
Onondaga County Industrial Development Agency—			
Civic Facility Variable Rate Revenue Bonds—			
Series 2008B (c)	2038	35,000	35,000
Bank Loan—Syracuse University Hotel			
and Conference Center LLC (d)	2022	11,990	12,650
Other (e)	2010	49	98
Total		**$ 317,039**	**$ 237,748**

(a) Periodic Auction Reset Securities (PARS) bonds that have their interest rates set at weekly auctions. The interest rates at June 30, 2009 and June 30, 2008 were 0.20% and 2.74%, respectively, for Series 1999A, and 0.27% and 3.18%, 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) As of June 30, 2009, the bonds were variable rate demand bonds that have their interest rates set on a weekly basis. Until March 2009, the bonds were PARS bonds that had their interest rates set at weekly auctions. The interest rates at June 30, 2009 and June 30, 2008 were 0.20% and 1.37%, respectively, for Series 2005A, and 0.20% and 1.36%, respectively, for Series 2005B. In March 2008, the University repurchased the PARS bonds. The University continued to make weekly payments of interest to the trustee, who paid the interest to the University as the holder of the bonds. In March 2009, the bonds were converted to variable rate demand bonds and were reissued. The University currently 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 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, 2009 and June 30, 2008 were 0.28% and 1.90%, respectively, for Series 2008A, and 0.20% and 1.20%, respectively, for Series 2008B. The University makes monthly payments of interest to the bondholders through the trustee. The University is subject to annual mandatory sinking fund redemptions beginning July 1, 2009, and has the ability to 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% at June 30, 2009 and June 30, 2008. 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, 2009 and June 30, 2008, the interest rates were 0.78% and 2.9%, 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.

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

Fiscal Year		Principal
2010	$	1,734
2011		1,735
2012		1,760
2013		1,810
2014		1,860
Thereafter		308,140
Total	**$**	**317,039**

Fiscal years 2009 and 2008 interest and commission expenses, net of capitalized interest of $4.7 million and $2.8 million, respectively, totaled $9.7 million and $10.7 million, respectively.

(9) 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, 2009 there was a requirement to collateralize the obligations under the swap agreements in the amount of $8.3 million. 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 0.55% from one counterparty for one swap agreement.

As of June 30, 2009, the University paid two counterparties a weighted average fixed interest rate of 3.691% on a total notional amount of $305.0 million, which related to its variable rate revenue bonds. 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. The Syracuse University Hotel and Conference Center LLC paid one counterparty a fixed interest rate of 5.303% on notional amounts of $11.9 million and $12.7 million as of June 30, 2009 and June 30, 2008, respectively, that related to its loan with JPMorgan Chase Bank, N.A..

At June 30, 2009 and June 30, 2008, the fair values of the University's swap agreements were ($41.5) million and ($15.3) million, respectively, and the Syracuse University Hotel and Conference Center LLC swap agreement fair values were ($1.0) million and ($.1) million, respectively. The June 30, 2009 and 2008 totals of ($42.5) million and ($15.4) million, respectively, were included in accounts payable and accrued liabilities.

The decreases of $27.1 million and $25.3 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, 2009 and June 30, 2008, respectively. The net cash payments of $8.7 million and $2.6 million made under the interest rate swap agreements were included in interest expense at June 30, 2009 and June 30, 2008, respectively.

At June 30, 2009 and June 30, 2008, the University had commitments for foreign currency forward contracts of approximately $51.6 million and $24.6 million, respectively, to hedge foreign exchange rate exposure for its programs abroad. Fair values of foreign currency forward contract commitments of $1.7 million and $.5 million, respectively, were included in other assets. For the years ended June 30, 2009 and June 30, 2008 the increase of $1.2 million and the decrease of $0.8 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.

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(10) TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2009 and June 30, 2008, temporarily and permanently restricted net assets were comprised as follows (in thousands of dollars):

	2009		2008	
	Temporarily restricted	Permanently restricted	Temporarily restricted	Permanently restricted
Pledges and bequests receivable	$ 46,784	$ 25,431	$ 52,082	$ 21,049
Other	6,011	2,478	5,701	2,469
Funding for facilities	1,259		3,280	
Funding for student loans		3,296		3,190
Life income, annuity, and similar funds	4,311	15,191	4,238	18,441
Endowment funds	5,594	269,632	16,826	256,840
Total net assets	**$ 63,959**	**$ 316,028**	**$ 82,127**	**$ 301,989**

(11) 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 2009 and 2008 were approximately $28.3 million and $26.7 million, respectively.

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

	2009	2008
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	$ 41,775	$ 46,244
Service cost	2,676	2,775
Interest cost	2,514	2,427
Plan participants' contributions	527	470
Amendments/curtailments/special termination	649	
Actuarial gain	(991)	(6,548)
Benefits paid	(3,306)	(3,744)
Medicare Part D prescription drug federal subsidy	121	151
Accrued postretirement benefit obligation	**$ 43,965**	**$ 41,775**

Other changes in the postretirement benefit obligation recognized in unrestricted net assets in fiscal year 2009 were as follows (in thousands of dollars):

	2009
Actuarial gain	$ (991)
Prior service cost	649
Amortization of:	
Actuarial losses	(88)
Prior service credits	3,885
Total recognized in unrestricted net assets	**$ 3,455**

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

	2009	2008
Service cost	$ 2,676	$ 2,775
Interest cost	2,514	2,427
Amortization of actuarial losses	88	578
Amortization of prior service credits	(3,885)	(4,040)
Net periodic postretirement benefit cost	**$ 1,393**	**$ 1,740**

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, were assumed as of June 30, 2009. The rates were assumed to decrease to 5% for healthcare and 6% for prescription drug benefits both by fiscal year 2018 and remain at those levels 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	$ 561	$ (535)
Effect on postretirement benefit obligation	$ 4,060	$ (3,801)

As of June 30, 2009 and June 30, 2008, the discount rates used in determining the benefit obligations were 6.26% and 6.80%, respectively, and the discount rates used in determining the net periodic postretirement benefit costs 6.80% and 6.10%, respectively.

Contributions to the postretirement benefit plans, net of employee contributions and the Medicare subsidy, are estimated to be $2.9 million for fiscal year 2010.

The net benefits expected to be paid in each fiscal year from 2010 through 2014 are approximately $3.0 million. The expected benefits are based on the same assumptions used to measure the University's benefit obligation at June 30, 2009, and include estimated future employee service.

In addition to service and interest costs, the components of projected net periodic postretirement benefit cost for fiscal year 2010 are amortization of prior service credit of approximately $.7 million and amortization of actuarial losses of approximately $.3 million.

(12) 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, 2009 and June 30, 2008 had aggregate principal amounts of approximately \$6.8 million and \$6.5 million, respectively. 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, 2009 and June 30, 2008 covering potential claims under the University's workers' compensation plan and there were no outstanding amounts against the letters of credit.

2009-2010 BOARD OF TRUSTEES

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