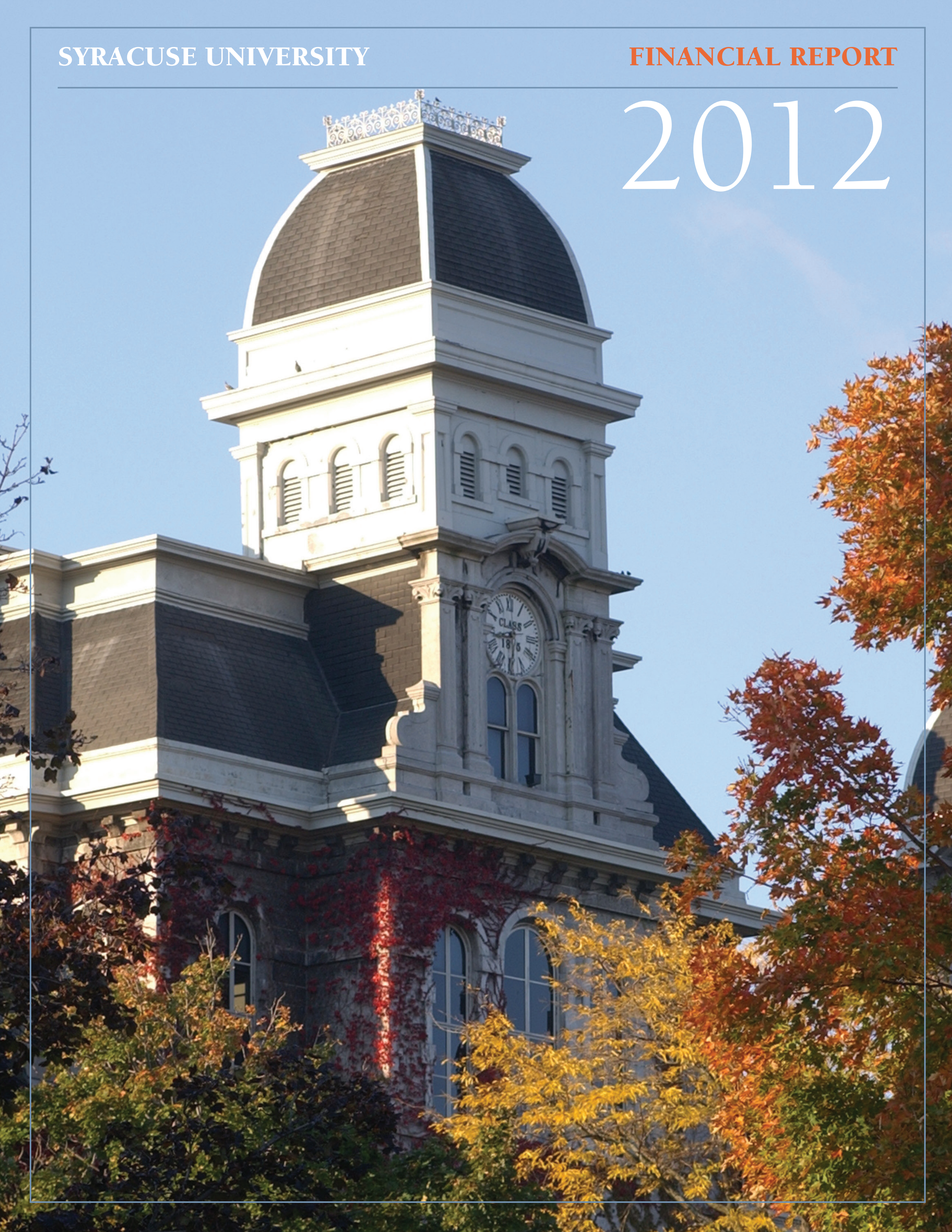
SYRACUSE UNIVERSITY FINANCIAL REPORT 2012




JOHN CROUSE MEMORIAL COLLEGE
FOR WOMEN

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Nancy Cantor
Chancellor and President

SYRACUSE UNIVERSITY ROSE TO THE CHALLENGES OF THE PAST YEAR'S economic climate, galvanized by the success of our historic $1 billion campaign, accelerating our forward momentum, and boldly reaffirming our longstanding commitment to access, opportunity, and excellence, while advancing our role as a public good.

Maintaining a focus on containing costs through sound fiscal management guided by emphasizing our institutional priorities and strengths, we continued to pursue an aggressive strategy to assure affordability for students and families. With nearly two-thirds of SU students receiving some type of institutional financial aid, we awarded more than $193 million in SU scholarships and grants, up from $178 million the previous year. At the same time, SU's tuition increase of 3.8 percent this fall is the smallest percentage increase in 46 years. These figures sharply reflect our commitment to access and affordability, as well as our continued success in building our pool of applicants and enrolling incoming classes that are diverse in every dimension—geographically, ethnically, and socioeconomically—and academically strong. This commitment also is reflected in the leadership role we have taken at the invitation of the White House in a national initiative to create a model for communicating about financial aid packages and college costs to students and families.

We also have solidified SU's position as a leader among universities embracing their role as anchor institutions in their communities. As a key partner in the Central New York Regional Economic Development Council's strategic planning process, we helped secure $103.7 million in state funding—the single largest award statewide—for collaborative projects that advance several of the University's key interests and priorities and drive economic progress across the city and region. The precedent-setting Entrepreneurship Bootcamp for Veterans and Institute for Veterans and Military Families continue to generate national praise and spawn similar models at other colleges and universities across the nation. And the Student Sandbox this summer earned notice as one of the top student business incubators in the nation. Our sustained, collaborative initiatives, including the Connective Corridor and the Near Westside Initiative, continue to enhance the economic vitality of the city while providing invaluable opportunities for innovative faculty and student scholarship. Just this fall, recent projects on the Corridor and Near Westside by two School of Architecture graduate students and one faculty member won the extraordinary distinction of being selected for the Venice Biennale, the world's premier architectural design exhibition.

The incredible outpouring of support that has propelled The Campaign for Syracuse University to surpass its precedent-setting goal of $1 billion gives us vital resources to strengthen our priorities of supporting students, faculty excellence—including more than doubling the number of endowed professorships—and interdisciplinary scholarship, research, and engagement initiatives that make a difference in the world. This powerfully affirms our guiding vision of Scholarship in Action and speaks to the effectiveness of educating students *for* the world *in* the world.

Cordially,

Nancy Cantor

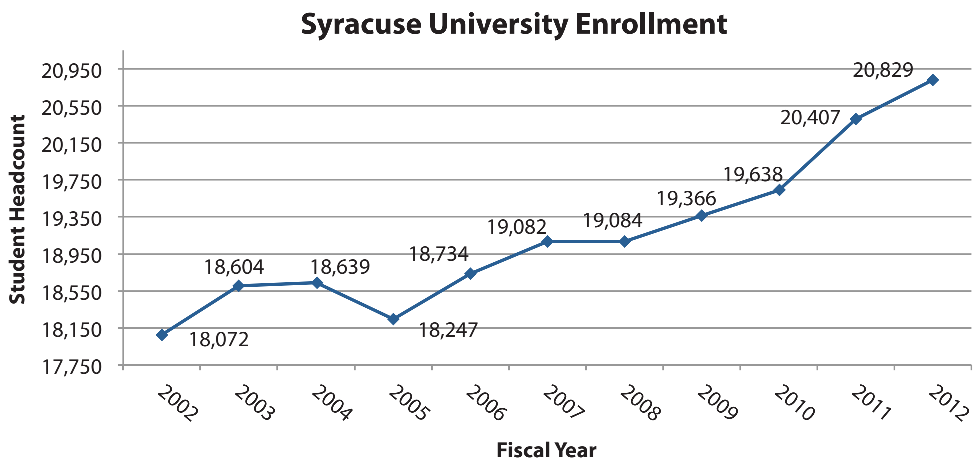
Louis G. Marcoccia
Executive Vice President
and Chief Financial Officer

FISCAL YEAR 2012 HIGHLIGHTS

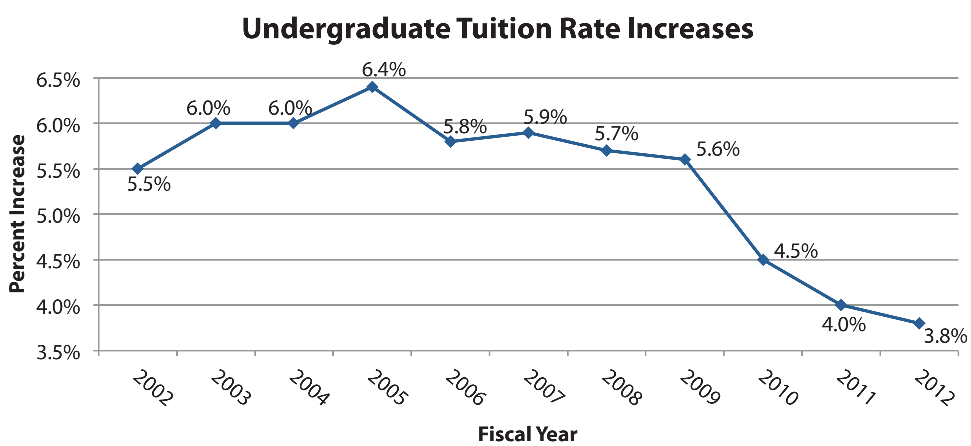
Fiscal year 2012 financial results and end of year financial position were consistent with the University's financial plans. The outcomes reflect well-managed coordinated planning and oversight of revenue generation, spending, liquidity, and debt management.

ENROLLMENT, TUITION AND FINANCIAL AID

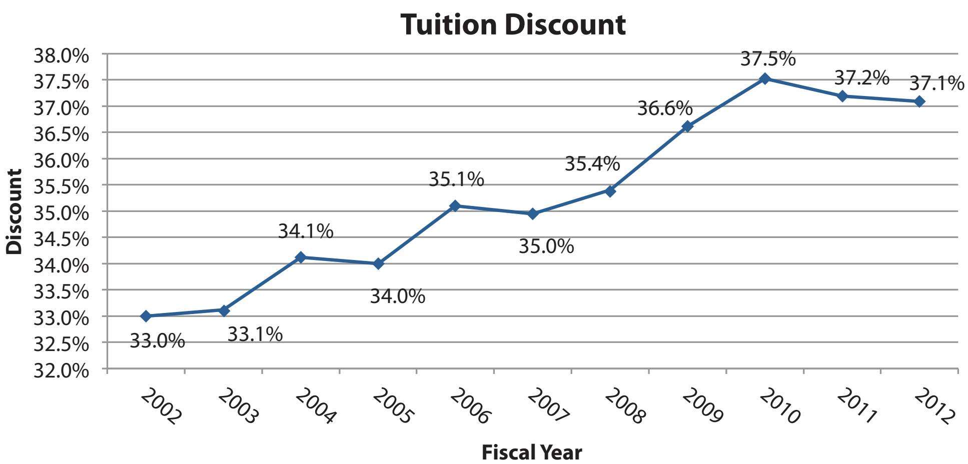
The University's student population, which includes representation from every U.S. state and approximately 130 countries, continues to grow both in diversity and in academic excellence. Since fiscal year 2002, the total of undergraduate, graduate and law student enrollments has increased from approximately 18,100 students to approximately 20,800 students in fiscal year 2012. The 15% increase equates to more than 2,700 additional students entering the University's schools and colleges. The following Syracuse University Enrollment chart depicts the University's almost continual total enrollment growth from fiscal year 2002 through fiscal year 2012.



The University is committed to affordability, and, accordingly, its undergraduate tuition rate of increase has been decreased while its financial aid commitment has been substantially increased. The following chart, Undergraduate Tuition Rate Increases, displays undergraduate tuition rate increases from fiscal year 2002 through fiscal year 2012.

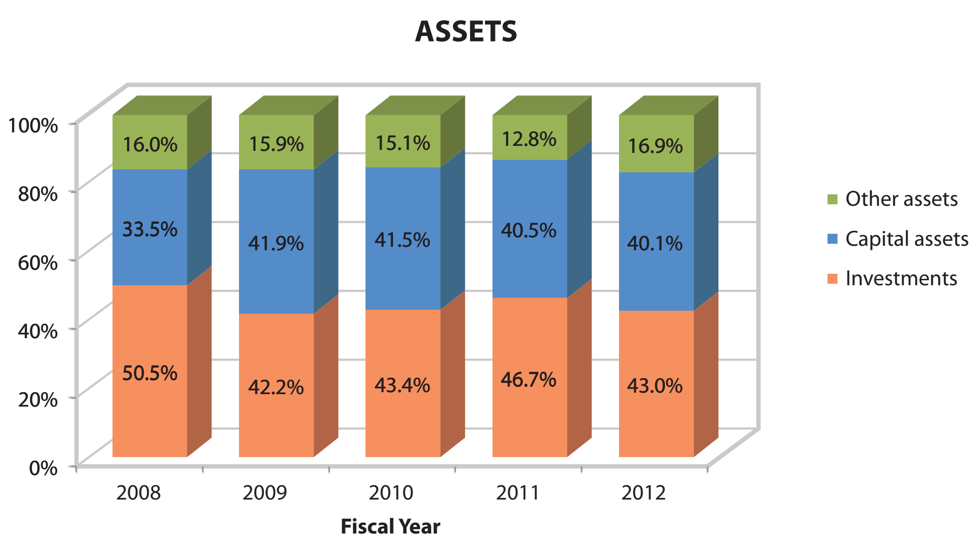


The University's enrollment management model is set to achieve full enrollment, academic quality, diversity, and meet the tuition revenue budget. Government financial aid program funds along with institutionally funded scholarships are applied to provide financial assistance available to students, and approximately 75% of undergraduate students receive financial aid. The tuition discount has increased in total dollars and as a percentage of the University's total tuition and fees revenues. In fiscal year 2002, the University's tuition discount was 33.0%, which equated to approximately $115.7 million, and by fiscal year 2012 the University had increased its tuition discount rate to 37.1%, which equated to approximately $259.3 million – an increase of approximately 124%. The chart below, Tuition Discount, displays the tuition discount percentages from fiscal year 2002 through fiscal year 2012.



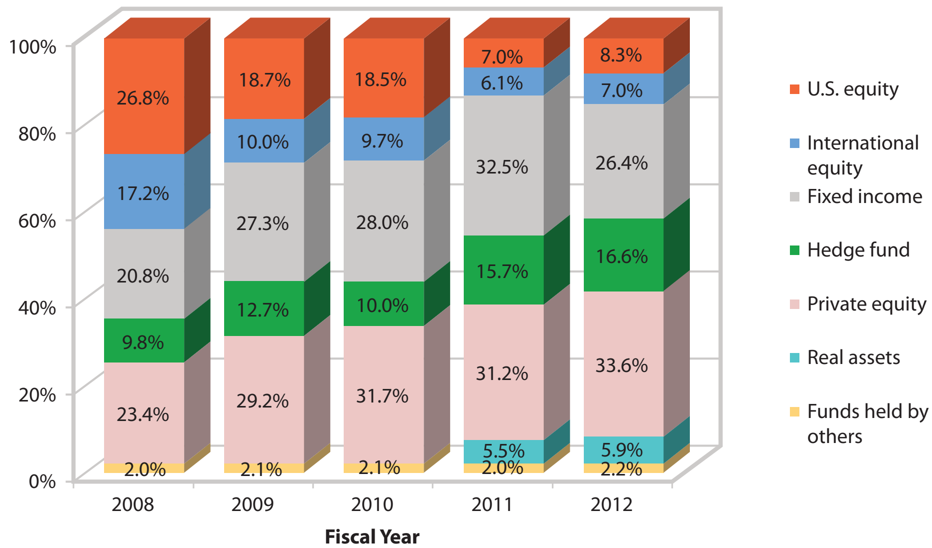
STATEMENTS OF FINANCIAL POSITION HIGHLIGHTS

The Statement of Financial Position sets forth the University's resources and obligations at the close of the fiscal year. Assets, which totaled $2.3 billion at June 30, 2012, are presented in decreasing order of liquidity, from cash to net capital assets. The majority of the University's assets are comprised of its investments and net capital assets, which represented approximately 83.1% of assets and totaled approximately $1.89 billion at June 30, 2012, a decrease of 3% from fiscal year 2011's total of approximately $1.95 billion. The following chart, Assets, reports asset category percentages at June 30 for fiscal year 2012 and for the previous four fiscal years.

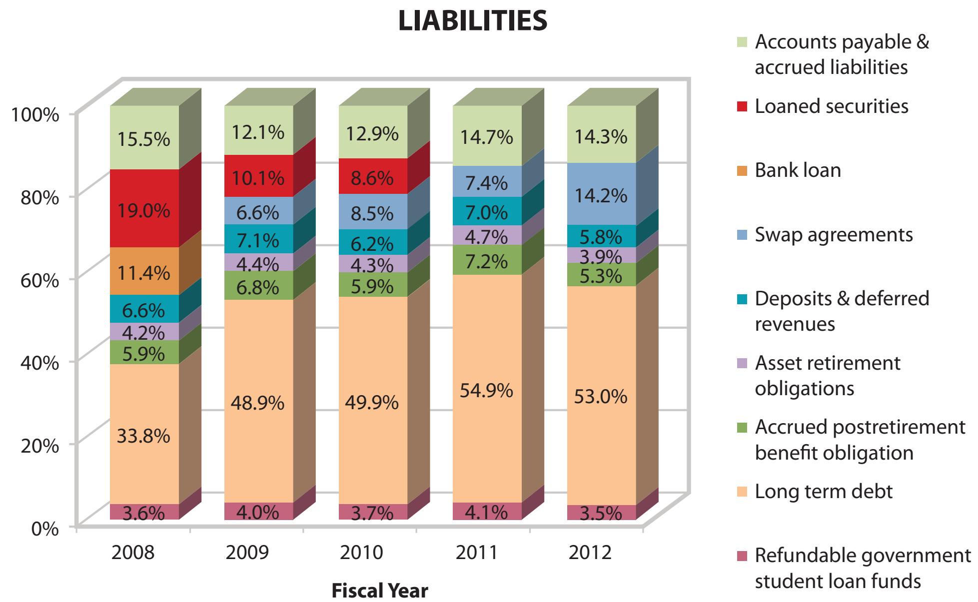


Investments totaled $978.8 million at June 30, 2012, decreasing 6.4% from the June 30, 2011 total of $1.046 billion. The Investment Asset Category Allocations chart below provides a five fiscal year summary of the University's investment allocations.

INVESTMENT ASSET CATEGORY ALLOCATIONS



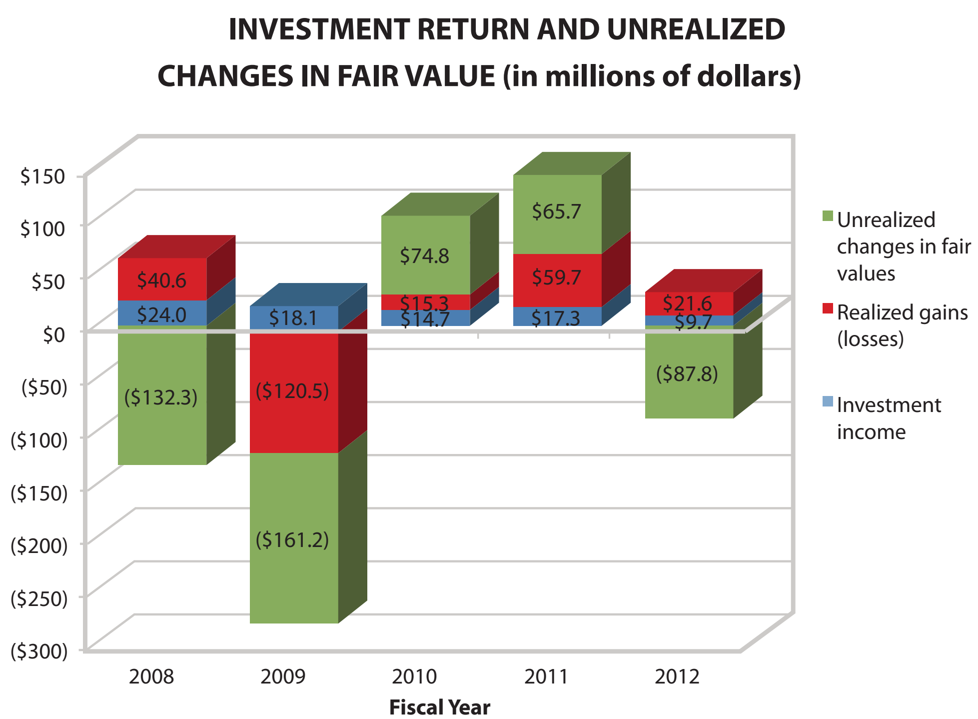
Liabilities totaled $749.3 million at June 30, 2012 and are presented below in order of their anticipated time to liquidation, from accounts payable and accrued liabilities to refundable government student loan funds. The University's liabilities are primarily comprised of long-term debt, which constituted 53.0% of total liabilities. The negative fair value of swap agreements totaled approximately $106.1 million at June 30, 2012, changing by approximately $59.2 million from the June 30, 2011 negative fair value of $46.9 million. The following chart, Liabilities, sets forth liability category percentages at June 30 for fiscal year 2012 and for the previous four fiscal years.



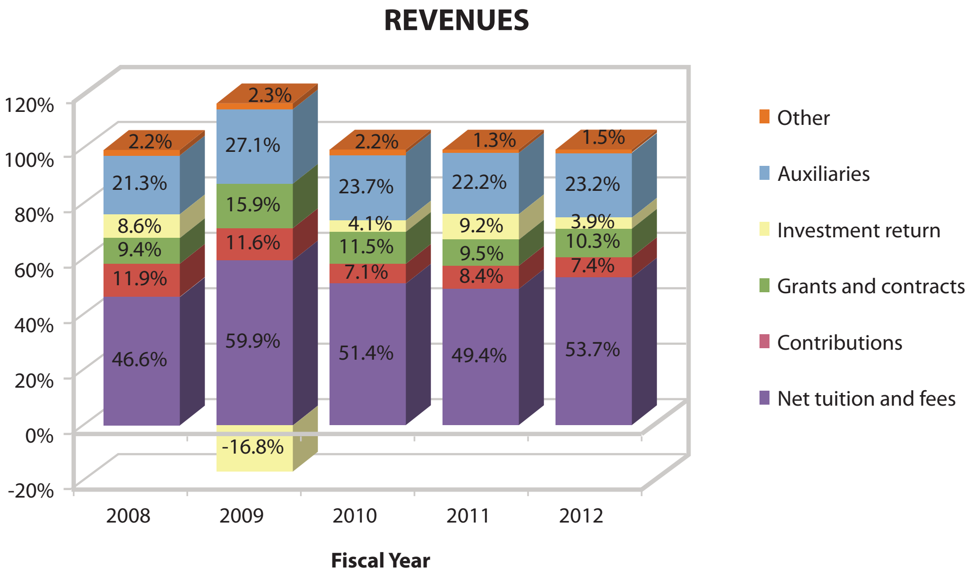
STATEMENTS OF ACTIVITIES HIGHLIGHTS

The Statement of Activities is a summary of the revenues and expenses for the year, classified according to the existence or absence of donor restrictions. Total revenues for the fiscal year ended June 30, 2012 decreased 2.5% to $818.7 million, principally as a result of lower realized gains from investment transactions.

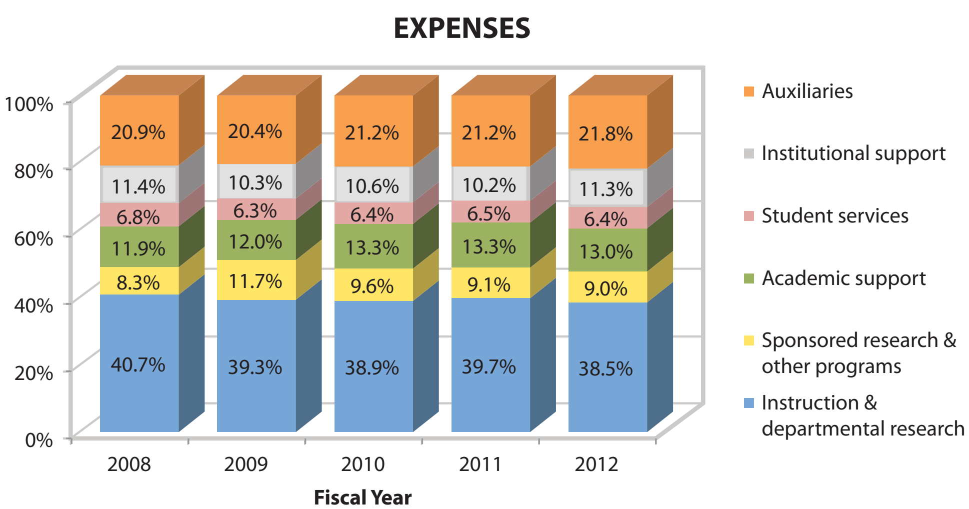
Fiscal year 2012 investment return decreased from the prior fiscal year, as is graphically depicted below. In fiscal year 2012 the University's long term investment funds returned 1.1%. The Investment Return and Unrealized Changes in Fair Value chart below provides a five fiscal year summary of the University's total investment return and unrealized changes in fair value.



Net tuition and fees combined with auxiliaries revenues accounted for 76.9% of total revenues. Net tuition and fees totaled $439.9 million in fiscal year 2012, which represented just under 54% of total revenues, compared to $414.9 million and just under 50% of total revenues in fiscal year 2011. Auxiliaries revenues, which include revenues from room, board, athletics, bookstore, steam station, parking, real estate, and student health services, totaled $190.2 million in fiscal year 2012, an increase of $4.2 million from fiscal year 2011. The following Revenues chart depicts a five fiscal year summary of the components of total revenues.



Expenses increased 6.9%, from $757.9 million to $810.1 million as the University adhered to fiscally prudent spending practices while simultaneously strategically funding important academic initiatives. The following Expenses chart summarizes the distribution of expenses for the most recent five fiscal years.



Other changes in net assets totaled a negative $81.7 million for the year ended June 30, 2012. Unrealized changes in fair values of investments were a negative $24.2 million, unrealized changes in interest rate swap agreements and foreign currency forward contracts were a negative $63.6 million, and the postretirement benefit obligation changes other than net periodic cost were $6.1 million.

The net impact of revenues, expenses, and other changes on net assets was a decrease in total net assets of $73.1 million for the fiscal year ended June 30, 2012.

STATEMENTS OF CASH FLOWS

In fiscal year 2012 there was an increase in the balance of cash and cash equivalents of approximately $33.9 million. The components of the change were net cash provided by operating activities of $22.5 million; net cash used in investing activities of ($52.0) million; and net cash provided by financing activities of $63.4 million.

RECOGNITION

The University's Business, Finance, and Administrative Services division continues to operate by applying sound judgment, practices, and ethical standards. That conduct along with the collaborative efforts of the division are important factors in support of the University's vision and mission. Principal providers of financial leadership services were Comptroller Rebecca L. Foote; Budget and Planning Director Gwenn B. Judge; Treasurer Barbara L. Wells; and Audit and Management Advisory Services Director Stephen G. Colicci.

Louis G Marcoccia

Louis G. Marcoccia
Executive Vice President and Chief Financial Officer

MANAGEMENT IS RESPONSIBLE FOR THE PREPARATION, INTEGRITY AND objectivity of the 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 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

Nancy Cantor
Chancellor and President

Louis G Marcoccia

Louis G. Marcoccia
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, 2012 and 2011, 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, 2012 and 2011, 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, 2012

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2012 AND JUNE 30, 2011

(Thousands of dollars)	2012	2011
ASSETS		
Cash and cash equivalents	$ 112,279	$ 78,315
Swap agreements collateral	66,000	10,700
Receivables, net	108,319	107,211
Other assets	26,684	27,773
Loans to students, net	31,526	30,219
Investments	978,825	1,045,676
Funds held by bond trustee	39,710	29,900
Land, land improvements, buildings, equipment, and collections, net	913,997	906,972
	$ 2,277,340	**$ 2,236,766**
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued liabilities	$ 107,756	$ 94,004
Swap agreements	106,094	46,924
Deposits and deferred revenues	43,282	44,252
Asset retirement obligations	29,272	30,057
Accrued postretirement benefit obligation	40,052	45,679
Long-term debt	396,855	348,730
Refundable government student loan funds	25,977	25,948
Total liabilities	749,288	635,594
NET ASSETS:		
Unrestricted	993,117	1,078,049
Temporarily restricted	163,896	173,219
Permanently restricted	371,039	349,904
Total net assets	1,528,052	1,601,172
TOTAL LIABILITIES AND NET ASSETS	**$ 2,277,340**	**$ 2,236,766**

See accompanying notes to financial statements.

YEAR ENDED JUNE 30, 2012
With Comparative Totals For The Year Ended June 30, 2011

(Thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
REVENUES:					
Tuition and fees	$ 699,204			$ 699,204	$ 660,579
Less: financial aid	259,320			259,320	245,697
Net tuition and fees	439,884			439,884	414,882
Contributions	26,509	$ 17,022	$ 16,711	60,242	70,897
Grants and contracts	84,691			84,691	80,113
Investment return	36,986	(10,169)	4,504	31,321	76,978
Auxiliaries, less financial aid of $6.2 million in 2012 and $7.3 million in 2011	190,247			190,247	186,015
Other	12,302			12,302	10,814
Net assets released from restrictions	15,158	(15,158)			
Total revenues	805,777	(8,305)	21,215	818,687	839,699
EXPENSES:					
Instruction and departmental research	311,820			311,820	301,180
Sponsored research and other programs	73,051			73,051	68,927
Academic support	105,180			105,180	100,792
Student services	52,149			52,149	48,903
Institutional support	91,490			91,490	77,518
Auxiliaries	176,401			176,401	160,537
Total expenses	810,091			810,091	757,857
OTHER CHANGES:					
Unrealized changes in fair values of:					
Investments	(23,108)	(1,018)	(80)	(24,206)	46,753
Interest rate swap agreements and foreign currency forward contracts	(63,623)			(63,623)	18,913
Postretirement benefit obligation changes other than net periodic cost	6,113			6,113	(2,107)
Total other changes	(80,618)	(1,018)	(80)	(81,716)	63,559
(Decrease) increase in net assets	(84,932)	(9,323)	21,135	(73,120)	145,401
Net assets at beginning of year	1,078,049	173,219	349,904	1,601,172	1,455,771
NET ASSETS AT END OF YEAR	**$ 993,117**	**$ 163,896**	**$ 371,039**	**$ 1,528,052**	**$ 1,601,172**

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

(Thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES:				
Tuition and fees	$ 660,579			$ 660,579
Less: financial aid	245,697			245,697
Net tuition and fees	414,882			414,882
Contributions	36,416	$14,788	$19,693	70,897
Grants and contracts	80,113			80,113
Investment return	71,956	3,729	1,293	76,978
Auxiliaries, less financial aid of $7.3 million	186,015			186,015
Other	10,814			10,814
Net assets released from restrictions	8,816	(8,816)		
Total revenues	809,012	9,701	20,986	839,699
EXPENSES:				
Instruction and departmental research	301,180			301,180
Sponsored research and other programs	68,927			68,927
Academic support	100,792			100,792
Student services	48,903			48,903
Institutional support	77,518			77,518
Auxiliaries	160,537			160,537
Total expenses	757,857			757,857
OTHER CHANGES:				
Unrealized changes in fair values of:				
Investments	29,036	15,928	1,789	46,753
Interest rate swap agreements and foreign currency forward contracts	18,913			18,913
Postretirement benefit obligation changes other than net periodic cost	(2,107)			(2,107)
Total other changes	45,842	15,928	1,789	63,559
Change in net assets before net asset reclassification of endowment funds for adoption of ASC 958-205	96,997	25,629	22,775	145,401
Net asset reclassification of endowment funds for adoption of ASC 958-205	(89,760)	89,760		
Increase in net assets	7,237	115,389	22,775	145,401
Net assets at beginning of year	1,070,812	57,830	327,129	1,455,771
NET ASSETS AT END OF YEAR	**$ 1,078,049**	**$173,219**	**$349,904**	**$ 1,601,172**

See accompanying notes to financial statements.

YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011

(Thousands of dollars)	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (73,120)	$ 145,401
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Postretirement benefit obligation changes other than net periodic cost	(6,113)	2,107
Depreciation and amortization	56,246	54,124
Realized and unrealized changes in fair values	66,208	(125,352)
Gifts of property and equipment	(5,834)	(2,942)
Contributions restricted for investment and physical facilities	(25,193)	(17,726)
Changes in operating assets and liabilities:		
Receivables, net	(1,108)	(1,022)
Other assets	(1,905)	(1,288)
Accounts payable and accrued liabilities	14,599	6,025
Deposits and deferred revenues	(970)	703
Asset retirement obligations	(785)	(382)
Accrued postretirement benefit obligation	486	2,035
Net cash provided by operating activities	22,511	61,683
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash held as collateral	(55,300)	4,500
Loans to students, net	(5,504)	(3,933)
Repayment of loans by students	4,197	3,823
Purchases of investments	(234,575)	(1,098,969)
Sales and maturities of investments	298,841	1,097,020
Purchases of land, land improvements, buildings, equipment, and collections	(59,617)	(62,199)
Net cash used in investing activities	(51,958)	(59,758)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for investment and physical facilities	25,193	17,726
Proceeds from issuance of long-term debt	50,693	
Payment of long-term debt	(1,905)	(1,855)
Payment of bond issuance costs	(789)	
Change in funds held by bond trustee	(9,810)	15,052
Change in refundable government student loan funds	29	10
Net cash provided by financing activities	63,411	30,933
Net increase in cash and cash equivalents	33,964	32,858
Cash and cash equivalents at beginning of year	78,315	45,457
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 112,279**	**$ 78,315**
Supplemental disclosure:		
Interest paid	$ 16,472	$ 15,570

See accompanying notes to financial statements.

(1) ORGANIZATION

Syracuse University (the University) is a private, coeducational and residential university granted a charter by the State of New York in 1870. The University operates under the direction of an independent Board of Trustees as an education corporation under the New York Not-for-Profit Corporation Law. The University has a total enrollment of approximately 20,800 students, including approximately 14,600 full-time undergraduate and law students, approximately 3,800 full-time master's and doctoral students, and approximately 2,400 part-time students. Geographically, the undergraduate student body represents 49 states and 77 foreign countries. The University offers approximately 500 degree programs in the following 13 schools and colleges: the School of Architecture; the College of Arts and Sciences; the School of Education; the L.C. Smith College of Engineering and Computer Science; the Graduate School; the David B. Falk College of Sport and Human Dynamics; the School of Information Studies; the College of Law; the Martin J. Whitman School of Management; the Maxwell School of Citizenship and Public Affairs; the S.I. Newhouse School of Public Communications; the College of Visual and Performing Arts; and University College.

(2) 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, SU Istanbul Egitim Destek Ve Danisma Hizmetleri Ticaret Limited Sirketi, Blue Highway Inc., Drumlins, 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 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 doubtful 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 contributions. Similarly, returns earned on restricted investments during the same fiscal year those restrictions are met are reported as unrestricted investment return.

(d) Cash and Cash Equivalents

Investments acquired with an original 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 approximately $1.0 million at June 30, 2012 and June 30, 2011.

(f) Investments

Investments are reported at estimated 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 in hedge funds and private equity funds, which are valued using current estimates of fair value in the absence of readily determinable public market values. The University believes the carrying amounts of these financial instruments are reasonable estimates of fair value. The estimates, because of the inherent uncertainty of valuations for these investments, may differ from the values that would have been used had ready markets existed.

(g) Funds Held by Bond Trustee

Unspent bond proceeds are held by the bond trustee. They are invested in money market vehicles and are classified as Level 1 in the fair value hierarchy.

(h) 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 appraised value adjusted for accessions and deaccessions. 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.

(i) Fair Value

At June 30, 2012 and 2011, the following assets and liabilities are recorded at fair value: swap agreements collateral, investments, funds held by bond trustee, and swap agreements.

The three levels of the fair value hierarchy are:

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

Level 2 – inputs are other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities, except for investments reported at net asset value as a practical expedient.

Level 3 – inputs are derived from valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and are not based on market, exchange, dealer, or broker-traded transactions, except for investments reported at net asset value as a practical expedient. In addition, Level 3 valuations incorporate assumptions and projections that are not observable in the market, and significant professional judgment in determining the fair value assigned to such 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 carrying values of the University's cash and cash equivalents, swap agreements collateral, receivables, accounts payable and accrued liabilities, and long-term debt approximated their fair values at June 30, 2012 and June 30, 2011.

(j) Allocation of Certain Expenses

The fiscal year 2012 and 2011 statements of activities present expenses by functional classification. Operation and maintenance of plant is allocated based on square footage, and interest expense is allocated based on the functional purpose for which the debt proceeds were used.

(k) 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.

(l) Income Taxes

The University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is 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. and Blue Highway Inc. are taxable subsidiaries of the University, filing their own tax returns. The Syracuse University (USA) London Program, created for the advancement of education, is a registered charity under the laws of England. The SU Istanbul Program (SU Istanbul Egitim Destek Ve Danisma Hizmetleri Ticaret Limited Sirketi), created to promote the University's educational activities in Turkey, is a limited liability company established in accordance with the provision of the Turkish Commercial Code. Its operations are governed by the laws of the Republic of Turkey. 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 University believes it has taken no significant uncertain tax positions.

(3) RECEIVABLES

The following is a summary of accounts receivable, pledges receivable, and matured bequests receivable at June 30, 2012 and June 30, 2011 (in thousands of dollars):

		2012		2011
Accounts receivable	$	36,386	$	34,228
Pledges receivable, net of present value discount		81,886		80,063
Matured bequests receivable		2,864		5,121
		121,136		119,412
Allowance for doubtful accounts		(12,817)		(12,201)
Total	**$**	**108,319**	**$**	**107,211**

Unconditional pledges and matured bequests at June 30, 2012 and June 30, 2011 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):

		2012		2011
Less than one year	$	41,025	$	30,216
One year to five years		25,104		34,695
More than five years		35,411		39,008
		101,540		103,919
Allowance for doubtful accounts		(11,370)		(10,917)
Present value discount		(16,790)		(18,735)
Total	**$**	**73,380**	**$**	**74,267**

At June 30, 2012, the discount rates used to present value the pledges range from 0.72% to 6.00%.

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 $24.0 million and $23.0 million as of June 30, 2012 and June 30, 2011, respectively.

(4) INVESTMENTS

The investment objective of the University is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation. The University diversifies its investments among asset classes by incorporating several strategies and managers. Major investment decisions are authorized by the University's trustee Investment and Endowment Committee (IEC).

In addition to equity and fixed income investments, the University may also hold shares or units in institutional funds and alternative investment funds involving hedged, private equity, and real assets strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists, and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments. Private equity funds generally employ buyout, venture capital, and debt related strategies and often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Real assets include global natural resource publicly traded stocks of companies whose businesses are typically related to power generation, oil and gas, timber, mining, and infrastructure.

Fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The University's interests in alternative investment funds are generally reported at the net asset value (NAV) reported by the fund managers. NAV is used as a practical expedient to estimate the

fair value of the University's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2012 and June 30, 2011, the University had no specific plans or intentions to sell investments at amounts different than NAV. With respect to those investments reported at NAV as a practical expedient, classification in Level 2 or 3 is based on the University's ability to redeem its interest at or near the date of the statement of financial position, and if the interest can be redeemed in the near term, the investment is classified in Level 2.

The University's investments at June 30, 2012 are summarized in the following table by their fair value hierarchy classification (in thousands of dollars):

	Level 1	Level 2	Level 3	Total	Redemption or Liquidation	Days' Notice
U.S. equity	$ 74,933	$ 6,443		$ 81,376	Daily	1 - 30
International equity	56,002	12,956		68,958	Daily	1 - 30
Fixed income	121,523	136,698	$ 83	258,304	Daily	1 - 30
Hedge fund [1,3]						
Long /short		444	36,072	36,516	Subject to lock up	14 - 90
Global		6,607	9,059	15,666	Subject to lock up	14 - 90
Multi-strategy	25,152	23,011	19,339	67,502	Subject to lock up	1 - 90
Other		2,456	40,244	42,700	Subject to lock up	14 - 90
Private equity [2,3]						
Buyout			141,437	141,437	Illiquid	Not Applicable
Venture capital			98,475	98,475	Illiquid	Not Applicable
Debt related			88,741	88,741	Illiquid	Not Applicable
Real assets	39,690	17,936		57,626	Daily	1 - 30
Funds held or administered by others	735	20,789		21,524	Not Applicable	Not Applicable
Total	**$ 318,035**	**$ 227,340**	**$ 433,450**	**$ 978,825**		

[1] The University's Level 2 and Level 3 hedge fund investments are restricted from redemption based on rolling lock up periods.
[2] The private equity funds have initial terms of 10 years with extensions of 1 to 4 years, and have an average remaining life of 2.5 years.
[3] Level 2 and Level 3 carrying values have been estimated by the fund's management in the absence of readily determinable fair values.

The University's investments at June 30, 2011 are summarized in the following table by their fair value hierarchy classification (in thousands of dollars):

	Level 1	Level 2	Level 3	Total	Redemption or Liquidation	Days' Notice
U.S. equity	$ 67,095	$ 5,759		$ 72,854	Daily	1 - 30
International equity	46,333	17,080		63,413	Daily	1 - 30
Fixed income	102,888	236,805	$ 83	339,776	Daily	1 - 30
Hedge fund [1,3]						
Long /short		524	17,819	18,343	Subject to lock up	14 - 90
Global		9,979		9,979	Subject to lock up	14 - 90
Multi-strategy	41,274	26,400	23,920	91,594	Subject to lock up	1 - 90
Other		5,686	38,227	43,913	Subject to lock up	14 - 90
Private equity [2,3]						
Buyout			129,287	129,287	Illiquid	Not Applicable
Venture capital			102,407	102,407	Illiquid	Not Applicable
Debt related			94,303	94,303	Illiquid	Not Applicable
Real assets	44,363	13,422		57,785	Daily	1 - 30
Funds held or administered by others	301	21,721		22,022	Not Applicable	Not Applicable
Total	**$ 302,254**	**$ 337,376**	**$ 406,046**	**$ 1,045,676**		

[1] The University's Level 2 and Level 3 hedge fund investments are restricted from redemption based on rolling lock up periods.
[2] The private equity funds have initial terms of 10 years with extensions of 1 to 4 years, and have an average remaining life of 3.3 years.
[3] Level 2 and Level 3 carrying values have been estimated by the fund's management in the absence of readily determinable fair values.

The following tables present the University's activity for the fiscal years ended June 30, 2012 and June 30, 2011 for investments measured at fair value on a recurring basis and classified as Level 3 (in thousands of dollars):

	Private Equity	Hedge Fund	Fixed Income and U.S. Equity	Total
Fair value at June 30, 2011	$ 325,997	$ 79,966	$ 83	$ 406,046
Acquisitions	41,818	40,515	100	82,433
Dispositions	(56,348)	(13,939)	(119)	(70,406)
Investment return	18,750	1,081	17	19,848
Unrealized (losses) gains	(1,564)	(2,909)	2	(4,471)
Fair value at June 30, 2012	**$ 328,653**	**$ 104,714**	**$ 83**	**$ 433,450**

	Private Equity	Hedge Fund	Fixed Income and U.S. Equity	Total
Fair value at June 30, 2010	$ 297,221	$ 58,853	$ 2,018	$ 358,092
Transfers		(13,521)	3	(13,518)
Acquisitions	26,501	51,730	1,929	80,160
Dispositions	(26,835)	(20,975)	(3,915)	(51,725)
Investment return (loss)	22,411	(1,830)	(944)	19,637
Unrealized gains	6,699	5,709	992	13,400
Fair value at June 30, 2011	**$ 325,997**	**$ 79,966**	**$ 83**	**$ 406,046**

The changes in unrealized losses and gains related to Level 3 investments held as of June 30, 2012 and June 30, 2011 were ($3.0) million and $10.2 million, respectively.

At June 30, 2012, the University's outstanding commitments to private equity partnerships totaled $66.7 million. The projected capital call amounts are summarized in the table below (in thousands of dollars):

Fiscal Year		Amount
2013	$	35,756
2014		24,994
2015		5,963
Total	**$**	**66,713**

Level 3 investments include illiquid private equity funds. Those investments are illiquid because distributions from them are made upon the liquidation of underlying investments. Also, certain of the University's hedge fund investments classified as Level 3 investments are subject to restrictions impacting their liquidity. Those restrictions include contractual lock up provisions, redemption notification requirements, and other restrictions. The table below summarizes the amounts by fiscal year in which restrictions on hedge fund investments expire (in thousands of dollars):

Fiscal Year		Amount
2013	$	102,980
2015		1,734
Total	**$**	**104,714**

Investment return reported as revenue is detailed in the table below (in thousands of dollars):

	2012							
		Unrestricted		Temporarily Restricted		Permanently Restricted		Total
Investment income	$	9,700					$	9,700
Realized gains (losses)		27,286	$	(10,169)	$	4,504		21,621
Total	**$**	**36,986**	**$**	**(10,169)**	**$**	**4,504**	**$**	**31,321**

	2011							
		Unrestricted		Temporarily Restricted		Permanently Restricted		Total
Investment income	$	17,292					$	17,292
Realized gains		54,664	$	3,729	$	1,293		59,686
Total	**$**	**71,956**	**$**	**3,729**	**$**	**1,293**	**$**	**76,978**

Netted in investment income are investment management fees of $2.4 million and $2.8 million in fiscal years 2012 and 2011, respectively.

(5) ENDOWMENT FUNDS

The University's endowment consists of approximately 2,000 individual funds which include both donor restricted endowment funds and funds designated by the University to function as quasi endowments. These individual funds have been established for a variety of purposes, with the majority of them established for scholarships and endowed chairs. Endowment funds are underwater when their fair value is less than their original fair value. At June 30, 2012, the fair value of 561 endowment funds were less than original fair value of $142.3 million by a total of approximately $27.6 million, including 518 endowment funds with an underwater amount of approximately $25.5 million for which the donors permit spending if the funds are underwater.

The University employs asset allocation models having multi-year investment horizons, 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 aligned with the asset allocation model and 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 model policy indexes.

The trustee Investment and Endowment Committee approves the annual distribution rates and spending amount for the University's investment funds. Per unit distributions are 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 2012 and 2011 was 3.84%. In addition, other distributions approved by the IEC of $18.2 million and $20.0 million were made in fiscal years 2012 and 2011, respectively.

In September 2010, New York State enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA). The University has interpreted NYPMIFA as allowing the University to spend or accumulate the amount of an endowment fund that the University determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. The University has not changed the way permanently restricted net assets are classified as a result of this interpretation and classifies as permanently restricted net assets (a) the original values of gifts donated to permanent endowments, (b) the original values of subsequent gifts to permanent endowments, and (c) accumulations to permanent endowments made in accordance with the directions of the applicable donors' gift instruments at the times the accumulations are added to the funds. Financial Accounting Standards Board Accounting Standards Codification (ASC) 958205, *Not-for-Profit-Entities-Presentation of Financial Statements,* requires the portion of a donor restricted endowment fund that is not classified in permanently restricted net assets to be classified as temporarily restricted net assets until the amount is appropriated for spending by the University's Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the IEC considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the University and the endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the University
- Where appropriate and where circumstances would otherwise warrant, alternatives to expenditure of an endowment fund, giving due consideration to the effect that such alternatives may have on the University
- The investment policies of the University

As a result of the adoption of ASC 958-205 for the fiscal year ended June 30, 2011, the University reclassified $89.8 million from unrestricted net assets to temporarily restricted net assets.

At June 30, 2012 and June 30, 2011, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions and consisted of the following (in thousands of dollars):

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ (27,607)	$ 108,378	$ 316,169	$ 396,940
Quasi (Board designated)	519,582			519,582
Total	**$ 491,975**	**$ 108,378**	**$ 316,169**	**$ 916,522**

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ (16,335)	$ 115,867	$ 295,234	$ 394,766
Quasi (Board designated)	495,813			495,813
Total	**$ 479,478**	**$ 115,867**	**$ 295,234**	**$ 890,579**

Changes in net assets associated with endowment funds for the fiscal years ended June 30, 2012 and June 30, 2011 were (in thousands of dollars):

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at June 30, 2011	$ 479,478	$ 115,867	$ 295,234	$ 890,579
Investment return	22,561	18,087	9	40,657
Unrealized losses	(22,871)	(1,018)		(23,889)
Contributions	100	10	16,316	16,426
Distributions	(30,220)	(24,390)		(54,610)
Board designated and donor required transfers	42,927	(178)	4,610	47,359
Net assets at June 30, 2012	**$ 491,975**	**$ 108,378**	**$ 316,169**	**$ 916,522**

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at June 30, 2010	$ 328,680	$ 6,512	$ 282,026	$ 617,218
Investment return	40,804	30,807	550	72,161
Unrealized gains	29,174	15,928		45,102
Contributions	100	1	11,822	11,923
Distributions	(33,387)	(26,999)		(60,386)
Net asset reclassification for adoption of ASC 958-205	(89,760)	89,760		
Board designated and donor required transfers	203,867	(142)	836	204,561
Net assets at June 30, 2011	**$ 479,478**	**$ 115,867**	**$ 295,234**	**$ 890,579**

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

The following is a summary of land, land improvements, buildings, equipment, and collections at June 30, 2012 and June 30, 2011 (in thousands of dollars):

	2012	2011
Land and land improvements	$ 68,119	$ 66,267
Buildings and building equipment	1,346,854	1,308,967
Equipment	86,289	78,641
Library and art collections	203,585	198,828
	1,704,847	1,652,703
Accumulated depreciation	(790,850)	(745,731)
Total	**$ 913,997**	**$ 906,972**

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 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) LONG-TERM DEBT AND INTEREST RATE SWAP AGREEMENTS

Long-term debt outstanding at June 30, 2012 and June 30, 2011 is set forth below (in thousands of dollars):

	Fiscal Year of Maturity	2012	2011
City of Syracuse Industrial Development Agency - Civic Facility Variable Rate Revenue Bonds:			
Series 1999A and 1999B (a) (d)	2030	$ 44,475	$ 44,475
Series 2005A and 2005B (b)	2036	80,000	80,000
Series 2008A-1 and 2008A-2 (c)	2010 - 2038	68,825	69,225
Onondaga County Industrial Development Agency - Civic Facility Variable Rate Revenue Bonds:			
Series 2008B (c)	2010 - 2038	32,975	33,675
Onondaga County Trust for Cultural Resources - Revenue Bonds:			
Series 2010A (d)	2030	75,525	75,525
Series 2010B (e)	2011 - 2020	31,565	31,710
Series 2011 (f)	2013 - 2037	47,670	
Bank Loan – Syracuse University Hotel and Conference Center LLC (g)	2022	10,010	10,670
		391,045	345,280
Unamortized Premium - Series 2010B (e)		3,076	3,450
Unamortized Premium - Series 2011 (f)		2,734	
Total		**$ 396,855**	**$ 348,730**

(a) Periodic Auction Reset Securities (PARS) bonds have their interest rates set at weekly auctions. The interest rates at June 30, 2012 and June 30, 2011 were 0.22% and 0.09%, respectively, for Series 1999A, and 0.19% and 0.14%, 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) Variable rate revenue bonds have their interest rates set weekly. The interest rates at June 30, 2012 and June 30, 2011 were 0.15% and 0.07%, respectively, for both Series 2005A and Series 2005B. 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 December 1, 2035, the maturity date of the bonds.

(c) Variable rate revenue bonds have their interest rates set daily and weekly for Series 2008A and Series 2008B, respectively. The interest rates at June 30, 2012 and June 30, 2011 were 0.16% and 0.05%, respectively, for Series 2008A, and 0.15% and 0.07%, respectively, for Series 2008B. The University makes monthly payments of interest to the bondholders through the trustee. As of July 1, 2009, the University became subject to annual mandatory sinking fund redemptions. In addition, the University 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) Variable rate revenue bonds have their interest rates set weekly. The interest rates at June 30, 2012 and June 30, 2011 were 0.28% and 0.03%, respectively. 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 December 31, 2029, the maturity date of the bonds. The proceeds from this bond issue were used to redeem a portion of the Series 1999A and Series 1999B bonds in January 2010.

(e) Fixed rate bonds have interest rates ranging from 3.0% to 5.0% depending on the underlying principal maturity date. These bonds were issued at a premium that is being amortized using the effective interest method over the remaining life of each of the series of bonds, resulting in an effective yield ranging from 0.75% to 3.48%. The University makes semi-annual payments of interest to the bondholders through the trustee. In addition, the University makes annual payments of principal to the bondholders through the trustee on a portion of the bonds for fiscal years 2011 through 2020. As of December 1, 2010, the University became subject to annual mandatory sinking fund redemptions. The University may make prepayments of principal, and is required to pay any remaining principal balance on December 1, 2019, the maturity date of the bonds.

(f) Fixed rate bonds have interest rates ranging from 3.0% to 5.0% depending on the underlying principal maturity date. These bonds were issued at a premium that is being amortized using the effective interest method over the remaining life of each of the series of bonds, resulting in an effective yield ranging from 0.53% to 4.47%. The University makes semi-annual payments of interest to the bondholders through the trustee. In addition, the University makes annual payments of principal to bondholders through the trustee on a portion of the bonds for fiscal years 2013 through 2032. The other portions of the bonds maturing in fiscal year 2037 are subject to mandatory redemption on specific sinking fund redemption dates occurring in fiscal years 2033 to 2037.

(g) 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, 2012 and June 30, 2011. The applicable LIBOR margin per annum is adjusted based on the Moody's rating assigned to the financial strength of the University at the onset of each interest period. At June 30, 2012 and June 30, 2011, the interest rates were 0.64% and 0.59%, respectively. The maturity date of the loan is August 5, 2021.

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

Fiscal Year		Amount
2013	$	3,025
2014		3,115
2015		3,215
2016		3,320
2017		3,420
Thereafter		374,950
Total	**$**	**391,045**

For fiscal years 2012 and 2011, capitalized interest was $0.7 million and $0.9 million, respectively.

The University and the Syracuse University Hotel and Conference Center LLC have entered into interest rate swap agreements with two counterparties as a hedge against interest rate fluctuations for variable interest rate debt. As of June 30, 2012 and June 30, 2011, there were requirements to collateralize the obligations under the swap agreements in the amounts of $66.0 million and $10.7 million, respectively. The University received variable payments equal to 68% of the one-month LIBOR rate from two counterparties for six swap agreements. 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, 2012, the University paid two counterparties a weighted average fixed interest rate of 3.688% on a total notional amount of $301.8 million, which related to its variable interest rate revenue bonds. As of June 30, 2011, the University paid two counterparties a weighted average fixed interest rate of 3.689% on a total notional amount of $302.9 million, which related to its variable interest 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 $10.0 million and $10.7 million as of June 30, 2012 and June 30, 2011, respectively, that related to its loan with JPMorgan Chase Bank, N.A.

At June 30, 2012 and June 30, 2011, the fair values of the University's swap agreements were ($103.8) million and ($45.6) million, respectively, and the Syracuse University Hotel and Conference Center LLC swap agreement fair values were ($2.3) million and ($1.3) million, respectively. The swap agreements are classified as Level 2 in the fair value hierarchy.

The changes of $59.2 million and $13.1 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, 2012 and June 30, 2011, respectively. The net cash payments of $11.1 million and $11.2 million made under the interest rate swap agreements were included in interest expense during fiscal years 2012 and 2011, respectively.

(8) FOREIGN CURRENCY FORWARD CONTRACTS

At June 30, 2012 and June 30, 2011, the University had commitments for foreign currency forward contracts of approximately $38.8 million and $30.0 million, respectively, to hedge foreign exchange rate exposure for its programs abroad. Fair values of foreign currency forward contract commitments of ($1.0) million and $3.5 million, respectively, were included in accounts payable and accrued liabilities and other assets, respectively. The foreign currency forward contracts are classified as Level 2 in the fair value hierarchy. For the years ended June 30, 2012 and June 30, 2011, the respective decrease of $4.4 million and the increase of $5.8 million, 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.

(9) TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2012 and June 30, 2011, temporarily and permanently restricted net assets were comprised as follows (in thousands of dollars):

	2012		2011	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Pledges and bequests receivable	$ 43,669	$ 29,711	$ 44,351	$ 29,916
Other	3,001	3,554	4,333	3,102
Funding for facilities	3,904		3,565	
Funding for student loans		3,566		3,472
Life income, annuity, and similar funds	4,944	18,039	5,103	18,180
Endowment funds	108,378	316,169	115,867	295,234
Total net assets	**$ 163,896**	**$ 371,039**	**$ 173,219**	**$ 349,904**

(10) 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 2012 and 2011 were approximately $28.2 million and $27.4 million, respectively.

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

		2012		2011
Change in benefit obligation:				
Benefit obligation at beginning of year	$	45,679	$	41,537
Service cost		2,186		2,984
Interest cost		1,575		2,196
Plan participants' contributions		590		608
Amendments/curtailments/special termination		(467)		
Actuarial (gain) loss		(6,814)		1,411
Benefits paid		(2,789)		(3,182)
Medicare Part D prescription drug federal subsidy		92		125
Benefit obligation at end of year	**$**	**40,052**	**$**	**45,679**

Other changes in the postretirement benefit obligation recognized in unrestricted net assets in the statements of activities included the following components (in thousands of dollars):

		2012		2011
Actuarial gain (loss)	$	6,814	$	(1,411)
Prior service credit		467		
Amortization of:				
Actuarial (gain) loss		(386)		50
Prior service credits		(782)		(746)
Total recognized in unrestricted net assets	**$**	**6,113**	**$**	**(2,107)**

Net periodic postretirement benefit cost included as expense in the statements of activities is as follows (in thousands of dollars):

		2012		2011
Service cost	$	2,186	$	2,984
Interest cost		1,575		2,196
Amortization of actuarial (gain) loss		(386)		50
Amortization of prior service credits		(782)		(746)
Net periodic postretirement benefit cost	**$**	**2,593**	**$**	**4,484**

For measurement purposes, annual rates of increase in the per capita cost of covered healthcare of 9.0% and 6.5% for pre-65 and post-65 retirees, respectively, were assumed as of June 30, 2012. An annual rate of increase in the per capita cost of covered prescription drug benefits of 7.0% was assumed as of June 30, 2012. The rates were assumed to decrease to 5.0% for both healthcare and prescription drug benefits by fiscal year 2020 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	$	578	$	(509)
Effect on postretirement benefit obligation	$	4,866	$	(4,287)

As of June 30, 2012 and June 30, 2011, the discount rates used in determining the benefit obligations were 3.86% and 5.37%, respectively, and the discount rates used in determining the net periodic postretirement benefit costs were 5.37% and 5.45%, respectively.

Contributions to the postretirement benefit plans, net of employee contributions and the Medicare subsidy, were $2.1 million in fiscal year 2012 and are estimated to be $2.1 million for fiscal year 2013.

The net benefits expected to be paid in each fiscal year from 2013 through 2017 are approximately $2.1 million and the net aggregate expected payments including years through fiscal year 2022 total approximately $22.3 million. The expected benefits are based on the assumptions used to measure the University's benefit obligation at June 30, 2012, 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 2013 are amortization of prior service credits of approximately $0.8 million and amortization of actuarial losses of approximately ($0.1) million. The unamortized prior service credits and unamortized net actuarial gain were $4.1 million and $2.1 million, respectively, at June 30, 2012.

(11) CONTINGENCIES, COMMITMENTS, AND SUBSEQUENT EVENTS

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 that 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, 2012 and June 30, 2011 had aggregate principal amounts of approximately $7.3 million and $8.2 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 annual rent and value added tax for fiscal year 2012 totaled approximately $1.0 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 $272.7 million and $271.5 million at June 30, 2012 and June 30, 2011, respectively, related to its variable interest rate long-term debt and to potential claims under the University's workers' compensation plan. There were no outstanding amounts against the letters of credit.

At June 30, 2012, the University had approximately $25.0 million of construction commitments.

The University evaluated subsequent events for potential recognition or disclosure through July 30, 2012, the date on which the financial statements were issued.

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