SYRACUSE UNIVERSITY

2014 FINANCIAL REPORT

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Kent Syverud
Chancellor and President

SYRACUSE UNIVERSITY ENDED THE 2013-14 FISCAL YEAR STRONGLY AS A result of careful fiscal management and strategic investments that advance the quality of the student experience. This focus on strategic priorities continues to enhance Syracuse's position within an increasingly competitive higher education marketplace. The following pages offer a detailed look at our financial picture.

One important takeaway from this data: Syracuse University continues to be a place where students from across the country and around the world want to come to get a great education. The continued growth in our enrollment numbers, and the diversity of incoming students, bears that out. Last year, our total student enrollment hit an all-time high, and our students came from every state and about 130 countries.

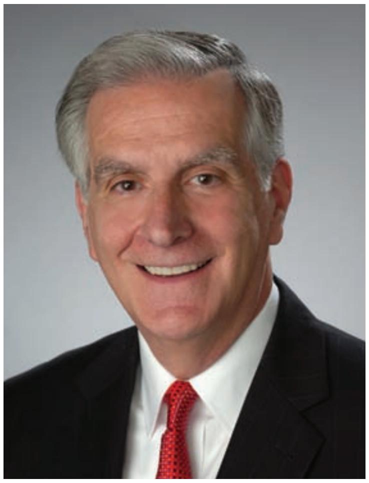
In order to further build on this positive momentum, Syracuse must continue to invest strategically in practices and initiatives that maximize resources and advance an outstanding educational experience for all students. Toward that end, I have launched an initiative, Fast Forward Syracuse, to inform our strategic direction. It includes three interrelated components that will be developed and implemented with participation by students, faculty, staff, alumni, board leadership, and other stakeholders. These three components are:

- A Strategic Plan, centered on academics, that lays out a shared vision for the University and identifies clear priorities needed to achieve it.
- A Campus Master Plan to guide decisions about the University's strategic infrastructure needs.
- An Operational Excellence Program to help the University be more effective, maximize efficiencies, and create opportunities to fund investment in the Strategic Plan and Campus Master Plan.

Higher education today faces incredible challenges and opportunities. This multifaceted initiative will further advance our commitment to prudent fiscal management and help us identify and advance key strategic priorities going forward. As this report shows, we are on solid footing. I am confident that this initiative will make us even stronger financially in the years to come.

Kent Syverud


SYRACUSE UNIVERSITY
4.11.14
INAUGURATION DAY



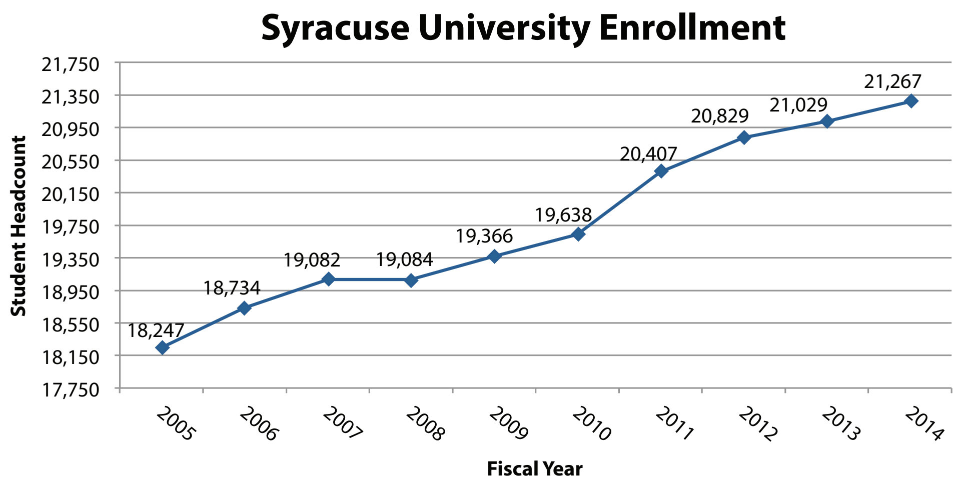
Louis G. Marcoccia
Executive Vice President
and Chief Financial Officer

FISCAL YEAR 2014 HIGHLIGHTS

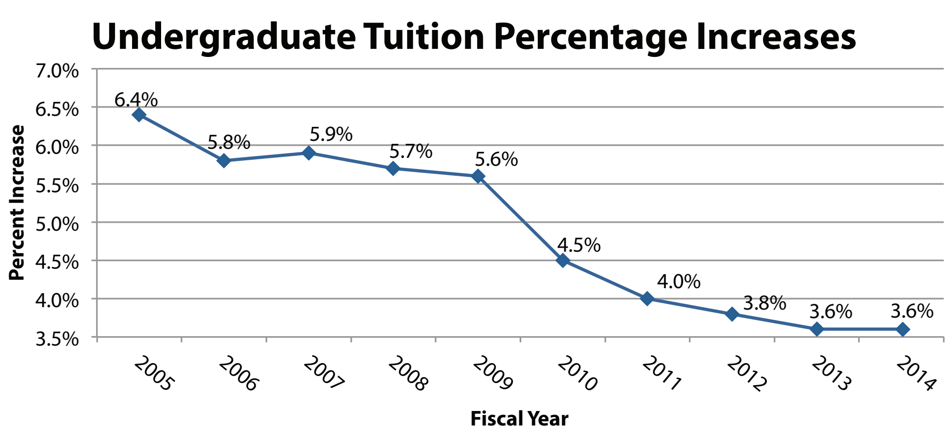
Fiscal year 2014 was a very positive year with financial results better than the University's financial plans. The outcomes reflect well-managed coordinated planning and oversight of revenues generation, spending, liquidity, and debt management.

ENROLLMENT, TUITION AND FINANCIAL AID

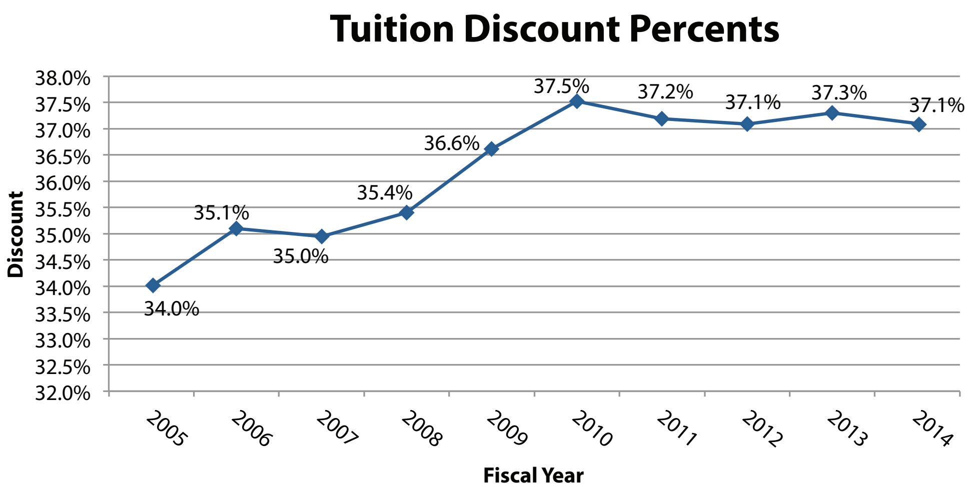
The University's student population, which includes representation from every U.S. state and approximately 130 countries, continues to grow in academic excellence. Since fiscal year 2005, the total of undergraduate, graduate and law student enrollments has increased from approximately 18,200 students to approximately 21,300 students in fiscal year 2014. The 16.6% increase equates to more than 3,100 additional students entering the University's schools and colleges. The following Syracuse University Enrollment chart depicts the University's continual total enrollment growth from fiscal year 2005 through fiscal year 2014.



The University continues to be committed to affordability, by keeping its undergraduate tuition percentage increase low and maintaining its financial aid tuition discount percentage. The following chart, Undergraduate Tuition Percentage Increases, displays undergraduate tuition percentage increases from fiscal year 2005 through fiscal year 2014.

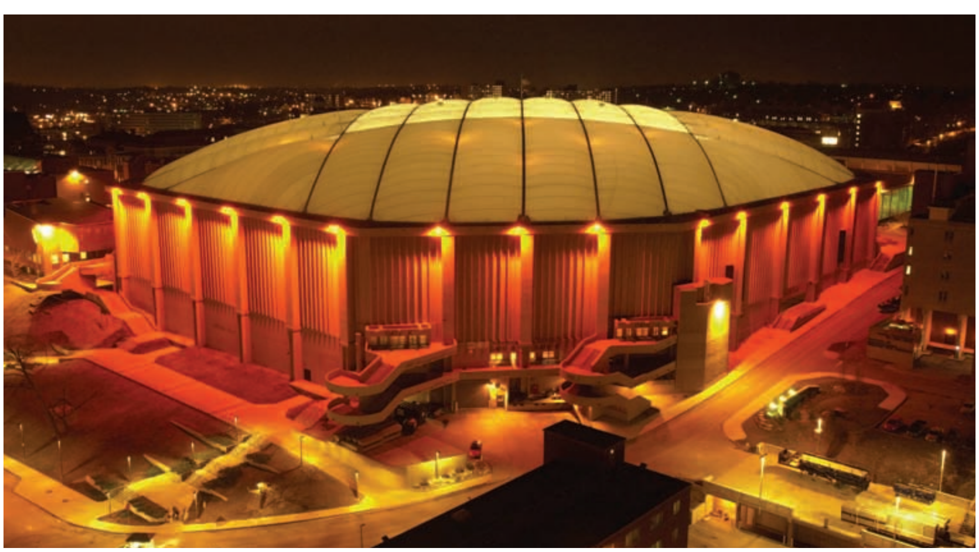


The University's enrollment management model is set to achieve full enrollment, improve academic quality, support diversity, and meet the net tuition revenue budget. Government financial aid program funds along with institutionally funded scholarships are applied to provide financial assistance to students, and annually approximately 75% of undergraduate students receive financial aid. The University's tuition discount has increased in total dollars. In fiscal year 2005, the University's tuition discount percentage was 34.0%, which equated to approximately $144.9 million, and by fiscal year 2014 the University had increased its tuition discount percentage to 37.1%, which equated to approximately $283.7 million – an increase of approximately 95.8%. The chart below, Tuition Discount Percents, displays the tuition discount percentages from fiscal year 2005 through fiscal year 2014.

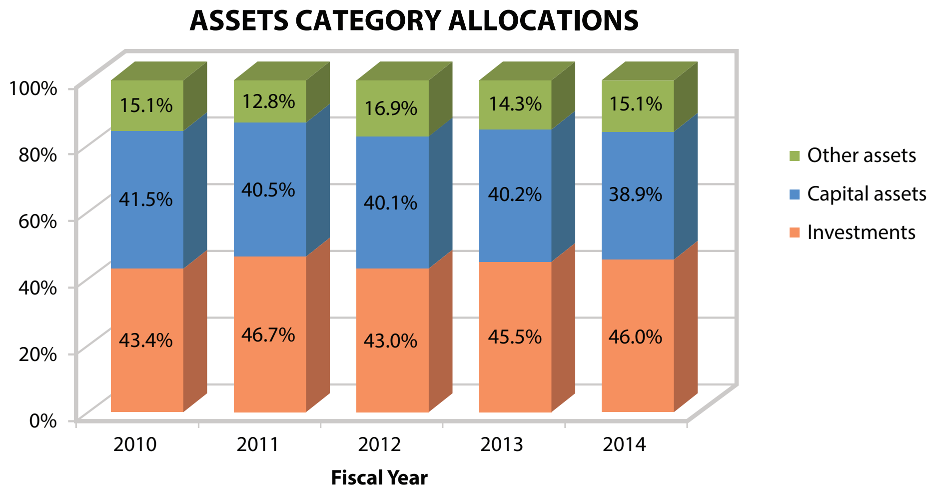


STATEMENTS OF FINANCIAL POSITION HIGHLIGHTS

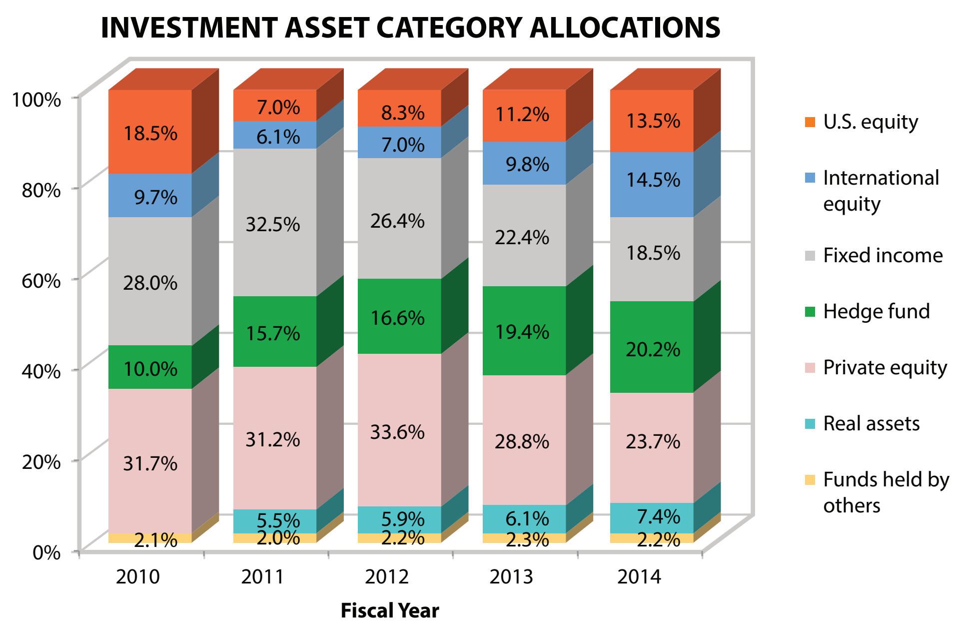
The Statement of Financial Position sets forth the University's consolidated resources and obligations at the close of the fiscal year. Assets totaled $2.7 billion at June 30, 2014. The majority of the University's assets are comprised of its investments and net capital assets, which represented approximately 84.9% of assets and totaled approximately $2.25 billion at June 30, 2014, an increase of 9.8% from fiscal year 2013's total of approximately $2.05 billion.



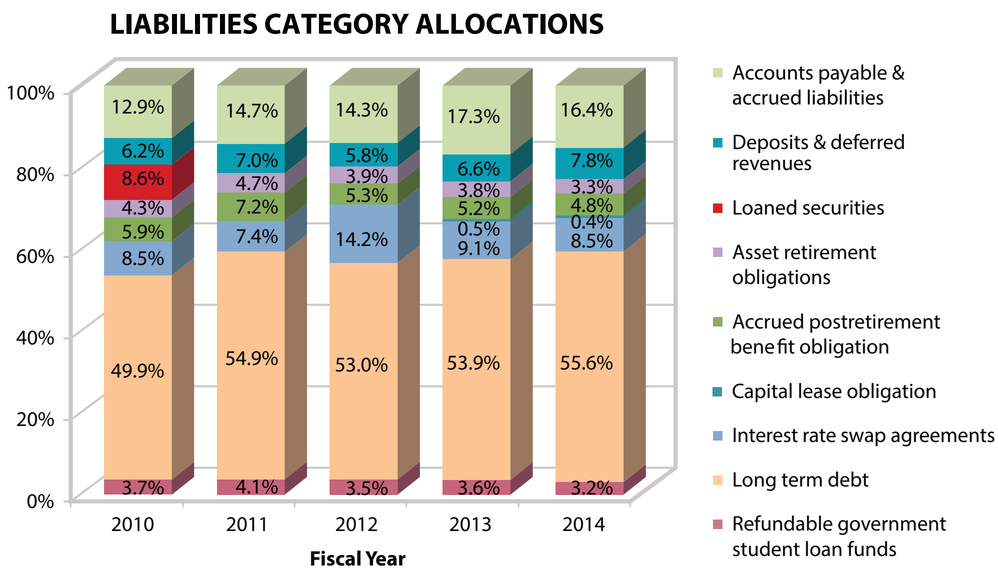
The following chart, Assets Category Allocations, reports assets category percentages at June 30 for fiscal year 2014 and for the previous four fiscal years.



Investments totaled $1.22 billion at June 30, 2014, increasing 11.9% from the June 30, 2013 total of $1.09 billion. The Investment Asset Category Allocations chart below provides a five fiscal year summary of the University's investments category percentages.



Liabilities totaled $821.2 million at June 30, 2014 and are presented in order of their anticipated 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 55.6% of total liabilities. Long-term debt increased as a result of the fiscal year 2014 issuance of $67.8 million of bond related debt to fund construction and renovation projects. The following chart, Liabilities Category Allocations, sets forth liabilities category percentages at June 30 for fiscal year 2014 and for the previous four fiscal years.

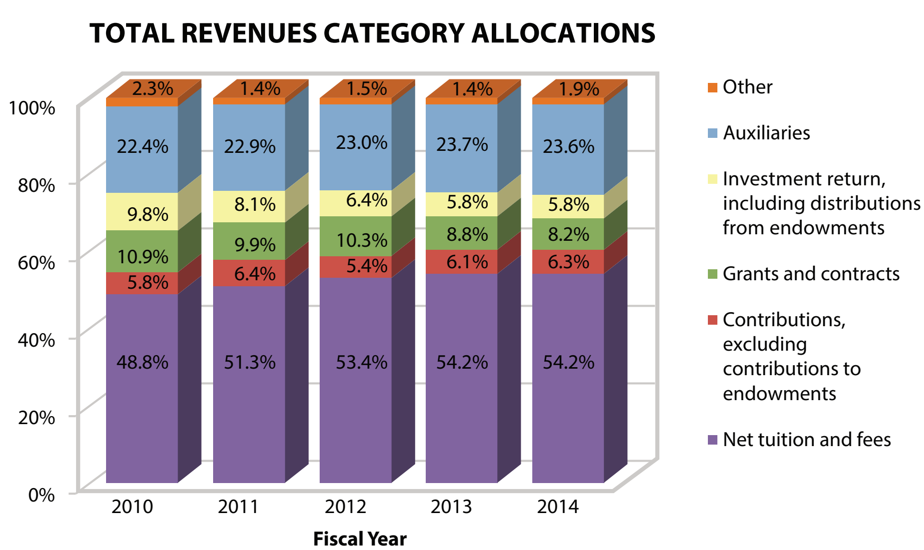


STATEMENTS OF ACTIVITIES HIGHLIGHTS

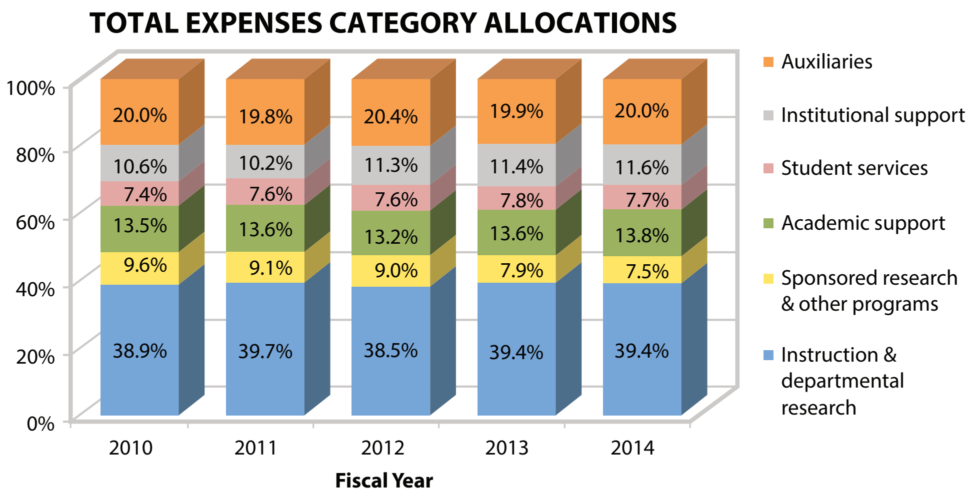
The Statement of Activities is a summary of the revenues, expenses and other items for the year, classified according to the existence or absence of donor restrictions. Certain reclassifications have been made to the 2010 through 2013 information to conform to the 2014 presentation.

Total revenues for the fiscal year ended June 30, 2014 increased 4.4% to $886.1 million, principally as a result of increases in contributions, excluding contributions to endowments.

Net tuition and fees combined with auxiliaries revenues accounted for 77.8% of total revenues. Net tuition and fees totaled $480.5 million in fiscal year 2014, which represented 54.2% of total revenues, compared to $460.5 million and 54.2% of total revenues in fiscal year 2013. Auxiliaries revenues, which include revenues from student housing, food service, athletics, bookstore, steam station, and real estate, totaled $208.9 million in fiscal year 2014, an increase of $8.4 million from fiscal year 2013. The following Total Revenues Category Allocations chart depicts a five fiscal year summary of the components of total revenues.

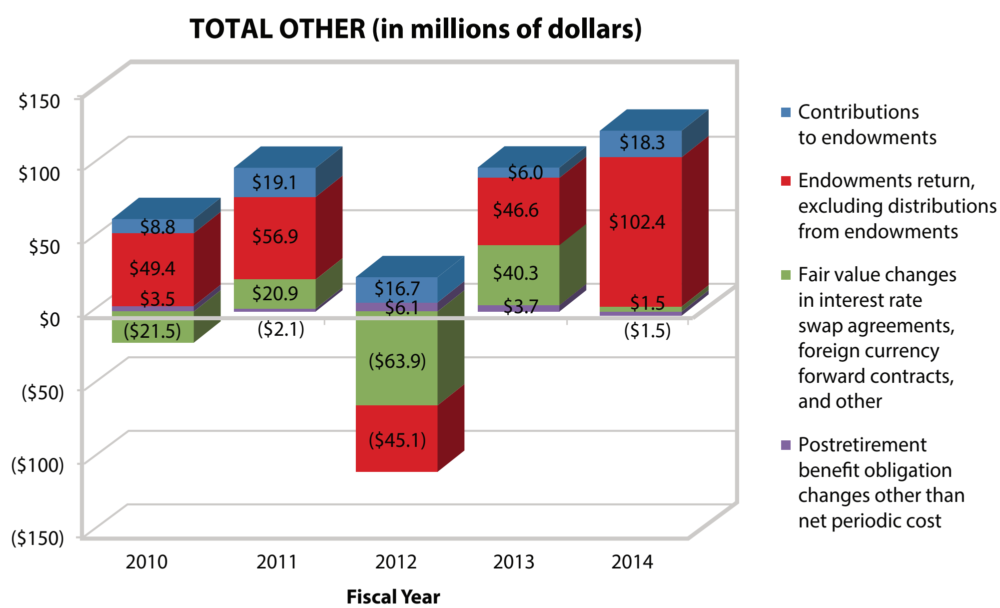


Expenses increased 3.6%, from $808.9 million to $838.2 million, as the University remained focused on strategic and fiscally prudent spending practices. The following Total Expenses Category Allocations chart summarizes the distribution of expenses for the most recent five fiscal years. Instruction and departmental research expenses continued to comprise the majority of the University expenses and has remained at 39.4%.



The increase in net assets from revenues and expenses was $47.9 million for the fiscal year ended June 30, 2014 compared to $40.2 million for the fiscal year ended June 30, 2013.

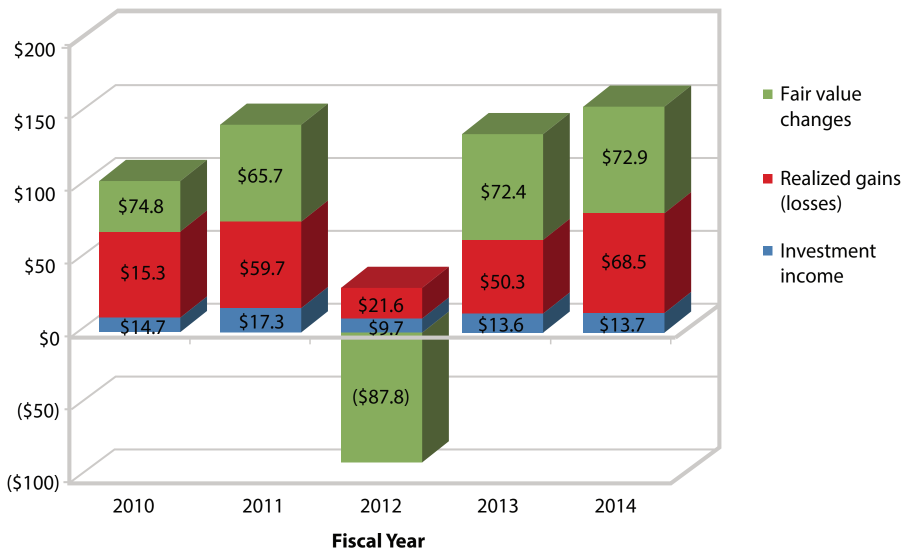
Total other changes in net assets totaled a positive $120.8 million for the year ended June 30, 2014. Contributions to endowments increased by $12.3 million to $18.3 million. Endowments return, excluding distributions from endowments increased by $55.8 million to $102.4 million. Fair value changes in interest rate swap agreements, foreign currency forward contracts, and other totaled $1.5 million, and the postretirement benefit obligation changes other than net periodic cost were ($1.5) million. The following Total Other chart depicts a five fiscal year summary of the components and dollar amounts of other changes.



Fiscal year 2014 total investment return which includes both investment return, including distributions from endowments, and endowments return, excluding distributions from endowments increased from the prior fiscal year. In fiscal year 2014, the University's long term investment funds returned 15.4%.

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 dollar amount changes in fair value.

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



The net impact of revenues, expenses, and other changes on net assets was an increase in total net assets of $168.7 million for the fiscal year ended June 30, 2014 compared to $136.9 million for the fiscal year ended June 30, 2013.

STATEMENTS OF CASH FLOWS

In fiscal year 2014, there was an increase in cash and cash equivalents amounts of approximately $3.8 million. The components of the change were net cash provided by operating activities of $63.6 million; net cash used in investing activities of $104.5 million; and net cash provided by financing activities of $44.7 million.

RECOGNITION

The University's Business, Finance, and Administrative Services division continues to operate by applying sound business and financial judgment, practices, and ethical standards. That conduct, along with the collaborative support and service efforts of the division, are important factors in support of the University's vision and mission. Principal providers of financial leadership services were Associate Comptroller Jean B. Gallipeau; Director of Financial Reporting Andrew J. Frazo; Budget and Planning Director Gwenn B. Judge; Treasurer David J. Smith; Associate Treasurer Scott C. Kemp; 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.

Kent Syverud
Chancellor and President

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 financial statements of Syracuse University (the University), which comprise the statement of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management′s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors′ Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors′ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity′s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity′s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

July 30, 2014

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND JUNE 30, 2013

(Thousands of Dollars)	2014	2013
ASSETS		
Cash and cash equivalents	$ 142,177	$ 138,373
Interest rate swap agreements collateral	18,300	25,300
Receivables, net	95,522	91,050
Other assets	35,522	28,618
Loans to students, net	34,125	32,722
Investments	1,220,132	1,090,276
Funds held by bond trustee	75,670	25,261
Land, land improvements, buildings, equipment, and collections, net	1,033,394	962,431
Total assets	**$ 2,654,842**	**$ 2,394,031**
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued liabilities	$ 134,497	$ 126,382
Deposits and deferred revenues	64,090	47,816
Asset retirement obligations	26,743	27,998
Accrued postretirement benefit obligation	39,708	37,625
Capital lease obligation	3,232	3,294
Interest rate swap agreements	69,437	66,613
Long-term debt	456,874	393,161
Refundable government student loan funds	26,613	26,188
Total liabilities	821,194	729,077
NET ASSETS:		
Unrestricted	1,215,797	1,105,267
Temporarily restricted	217,968	180,624
Permanently restricted	399,883	379,063
Total net assets	1,833,648	1,664,954
TOTAL LIABILITIES AND NET ASSETS	**$ 2,654,842**	**$ 2,394,031**

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2014
With Comparative Totals For The Year Ended June 30, 2013

(Thousands of Dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
REVENUES:					
Tuition and fees	$ 764,185			$ 764,185	$ 734,162
Less: financial aid	283,658			283,658	273,662
Net tuition and fees	480,527			480,527	460,500
Contributions, excluding contributions to endowments	40,366	$ 15,677		56,043	51,499
Grants and contracts	72,809			72,809	74,781
Investment return, including distributions from endowments	51,164			51,164	49,504
Auxiliaries, net of financial aid of $6.7 million in 2014 and $6.2 million in 2013	208,873			208,873	200,519
Other	16,685			16,685	12,296
Net assets released from restrictions	12,962	(12,962)			
Total revenues	883,386	2,715		886,101	849,099
EXPENSES:					
Instruction and departmental research	330,633			330,633	318,906
Sponsored research and other programs	62,657			62,657	63,542
Academic support	115,335			115,335	109,627
Student services	65,119			65,119	62,975
Institutional support	96,999			96,999	91,904
Auxiliaries	167,424			167,424	161,917
Total expenses	838,167			838,167	808,871
Increase in net assets from revenues and expenses	45,219	2,715		47,934	40,228
OTHER:					
Contributions to endowments			$ 18,332	18,332	6,047
Endowments return, excluding distributions from endowments	67,446	34,109	804	102,359	46,618
Fair value changes in interest rate swap agreements, foreign currency forward contracts, and other	(672)	520	1,684	1,532	40,286
Postretirement benefit obligation changes other than net periodic cost	(1,463)			(1,463)	3,723
Total other	65,311	34,629	20,820	120,760	96,674
Increase in net assets	110,530	37,344	20,820	168,694	136,902
Net assets at beginning of year	1,105,267	180,624	379,063	1,664,954	1,528,052
NET ASSETS AT END OF YEAR	**$ 1,215,797**	**$ 217,968**	**$ 399,883**	**$ 1,833,648**	**$ 1,664,954**

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

(Thousands of Dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total
REVENUES:				
Tuition and fees	$ 734,162			$ 734,162
Less: financial aid	273,662			273,662
Net tuition and fees	460,500			460,500
Contributions, excluding contributions to endowments	32,490	$ 19,009		51,499
Grants and contracts	74,781			74,781
Investment return, including distributions from endowments	49,504			49,504
Auxiliaries, net of financial aid of $6.2 million	200,519			200,519
Other	12,296			12,296
Net assets released from restrictions	17,481	(17,481)		
Total revenues	847,571	1,528		849,099
EXPENSES:				
Instruction and departmental research	318,906			318,906
Sponsored research and other programs	63,542			63,542
Academic support	109,627			109,627
Student services	62,975			62,975
Institutional support	91,904			91,904
Auxiliaries	161,917			161,917
Total expenses	808,871			808,871
Increase in net assets from revenues and expenses	38,700	1,528		40,228
OTHER:				
Contributions to endowments			$ 6,047	6,047
Endowments return, excluding distributions from endowments	30,453	15,026	1,139	46,618
Fair value changes in interest rate swap agreements, foreign currency forward contracts, and other	39,274	174	838	40,286
Postretirement benefit obligation changes other than net periodic cost	3,723			3,723
Total other	73,450	15,200	8,024	96,674
Increase in net assets	112,150	16,728	8,024	136,902
Net assets at beginning of year	993,117	163,896	371,039	1,528,052
NET ASSETS AT END OF YEAR	**$ 1,105,267**	**$ 180,624**	**$ 379,063**	**$ 1,664,954**

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013

(Thousands of Dollars)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 168,694	$ 136,902
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Postretirement benefit obligation changes other than net periodic cost	1,463	(3,723)
Depreciation and amortization	61,618	59,436
Changes in fair value of investments and financial instruments	(140,685)	(122,698)
Gifts of property and equipment	(4,019)	(2,205)
Contributions restricted for investment and physical facilities	(30,978)	(30,297)
Changes in operating assets and liabilities:		
Receivables, net	(4,472)	17,269
Other assets	(5,070)	(2,219)
Accounts payable and accrued liabilities	1,365	9,017
Deposits and deferred revenues	16,274	4,534
Asset retirement obligations	(1,255)	(1,274)
Accrued postretirement benefit obligation	620	1,296
Net cash provided by operating activities	63,555	66,038
CASH FLOWS FROM INVESTING ACTIVITIES:		
Changes in interest rate swap agreements collateral	7,000	42,900
Loans made to students	(5,895)	(5,593)
Loans paid by students	4,492	4,397
Purchases of investments	(214,158)	(256,609)
Sales and maturities of investments	225,391	228,248
Purchases of land, land improvements, buildings, equipment, and collections	(121,329)	(95,163)
Net cash used in investing activities	(104,499)	(81,820)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for investment and physical facilities	30,978	30,297
Proceeds from issuance of long-term debt	67,827	
Payments of long-term debt	(3,115)	(3,025)
Payments of capital lease	(62)	(56)
Payments of bond issuance cost	(896)	
Change in funds held by bond trustee	(50,409)	14,449
Change in refundable government student loan funds	425	211
Net cash provided by financing activities	44,748	41,876
Net increase in cash and cash equivalents	3,804	26,094
Cash and cash equivalents at beginning of year	138,373	112,279
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 142,177	$ 138,373
Supplemental disclosure:		
Interest paid	$ 18,275	$ 16,274
Assets acquired under capital lease		$ 3,350
Change in accounts payable for land, land improvements, buildings, equipment, and collections	$ 7,902	$ 7,536

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 21,300 students, including approximately 15,000 full-time undergraduate and law students, approximately 4,100 full-time master's and doctoral students, and approximately 2,200 part-time students. Geographically, the undergraduate student body represents 49 states and 87 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 in accordance with U.S. generally accepted accounting principles, 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) Reclassifications

Certain reclassifications have been made to the 2013 information to conform to the 2014 presentation.

(c) 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.

(d) Contributions

Contributions, including unconditional pledges, are recognized at their fair values 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, purpose restricted investment returns earned during the same fiscal year in which those restrictions are met are reported as unrestricted investment return.

(e) 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.

(f) Loans to Students

Loans to students are reported net of an allowance for doubtful accounts of approximately $1.0 million at June 30, 2014 and June 30, 2013.

(g) 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. In the absence of readily determinable public market values, alternative investments are valued using current net asset values as a practical expedient to approximate fair 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.

(h) Funds Held by Bond Trustee

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

(i) 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.

(j) Fair Value

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. 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. In addition, investments reported at net asset value as a practical expedient that are redeemable in the near term are reported as Level 2.

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. In addition, investments reported at net asset value as a practical expedient that are not redeemable in the near term are reported as Level 3.

The level in the fair value hierarchy within which a fair value 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 accounts receivable, accounts payable and accrued liabilities, and long-term debt approximated their fair values at June 30, 2014 and June 30, 2013. The fair value of accounts receivable and accounts payable and accrued liabilities involve unobservable inputs and would be considered to be Level 3 in the fair value hierarchy. The fair value of long-term debt can be determined based on significant observable inputs and would be considered to be Level 2 in the fair value hierarchy.

(k) Allocation of Certain Expenses

The fiscal year 2014 and 2013 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.

(l) 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. 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.

(m) 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, on 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, 2014 and June 30, 2013 (in thousands of dollars):

	2014	2013
Accounts receivable	$ 33,479	$ 29,326
Pledges receivable, net of present value discount	73,616	71,589
Matured bequests receivable	2,439	4,288
	109,534	105,203
Allowance for doubtful accounts	(14,012)	(14,153)
Total	**$ 95,522**	**$ 91,050**

Unconditional pledges and matured bequests at June 30, 2014 and June 30, 2013 are restricted by donors predominantly for scholarships and other operating and capital expenditures purposes. They are expected to be realized in the following periods (in thousands of dollars):

	2014	2013
Less than one year	$ 30,935	$ 29,636
One year to five years	26,370	28,353
More than five years	33,055	34,408
	90,360	92,397
Allowance for doubtful accounts	(12,308)	(12,549)
Present value discount	(14,305)	(16,520)
Total	**$ 63,747**	**$ 63,328**

At June 30, 2014, 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 $18.8 million as of June 30, 2014 and June 30, 2013.

(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. Funds invested in 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 registered mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year and are classified in Level 1 of the fair value hierarchy. The University's interests in alternative investment funds are generally reported at their 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, 2014 and June 30, 2013, 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 90 days or less, the investment is classified in Level 2.

The University's investments at June 30, 2014 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	$ 159,271	$ 5,205		$ 164,476	Daily	1 - 30
International equity	175,526	982		176,508	Daily	1
Fixed income	83,208	142,752	$ 87	226,047	Daily to illiquid	1 - 30
Hedge fund [1]						
Long /short		23,250	22,472	45,722	Subject to lock up	14 - 90
Global		8,009	11,012	19,021	Subject to lock up	14 - 90
Multi-strategy	17,004	49,659	13,920	80,583	Subject to lock up	1 - 90
Other		28,649	72,090	100,739	Subject to lock up	14 - 90
Private equity [2]						
Buyout			136,318	136,318	Illiquid	Not Applicable
Venture capital			105,706	105,706	Illiquid	Not Applicable
Debt related			47,059	47,059	Illiquid	Not Applicable
Real assets						
Marketable	71,150	19,324		90,474	Daily	1 - 40
Private			647	647	Illiquid	Not Applicable
Funds held or administered by others	1,900	24,932		26,832	Not Applicable	Not Applicable
Total	**$ 508,059**	**$ 302,762**	**$ 409,311**	**$ 1,220,132**		

1 Certain of 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 2.6 years.

The University's investments at June 30, 2013 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	$ 116,543	$ 6,053		$ 122,596	Daily	1 - 30
International equity	106,381			106,381	Daily	1
Fixed income	98,046	146,497	$ 83	244,626	Daily to illiquid	1 - 30
Hedge fund [1]						
Long /short		18,053	19,976	38,029	Subject to lock up	14 - 90
Global		8,500	10,035	18,535	Subject to lock up	14 - 90
Multi-strategy	50,956	25,377	29,121	105,454	Subject to lock up	1 - 90
Other		15,528	34,242	49,770	Subject to lock up	14 - 90
Private equity [2]						
Buyout			155,605	155,605	Illiquid	Not Applicable
Venture capital			89,493	89,493	Illiquid	Not Applicable
Debt related			69,097	69,097	Illiquid	Not Applicable
Real assets						
Marketable	49,667	16,733		66,400	Daily	1 - 40
Private			240	240	Illiquid	Not Applicable
Funds held or administered by others	1,761	22,289		24,050	Not Applicable	Not Applicable
Total	**$ 423,354**	**$ 259,030**	**$ 407,892**	**$ 1,090,276**		

1 Certain of 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 2.7 years.

The following tables present the University's activity for the fiscal years ended June 30, 2014 and June 30, 2013 for investments measured at fair value on a recurring basis and classified as Level 3 (in thousands of dollars):

	Private Equity and Real Assets	Hedge Fund	Fixed Income and U.S. Equity	Total
Fair value at June 30, 2013	$ 314,435	$ 93,374	$ 83	$ 407,892
Acquisitions	19,052	59,355		78,407
Dispositions	(100,607)		(1)	(100,608)
Transfers to Level 2		(42,837)		(42,837)
Investment return	56,850	9,602	5	66,457
Fair value at June 30, 2014	**$ 289,730**	**$ 119,494**	**$ 87**	**$ 409,311**

	Private Equity and Real Assets	Hedge Fund	Fixed Income and U.S. Equity	Total
Fair value at June 30, 2012	$ 328,653	$ 104,714	$ 83	$ 433,450
Acquisitions	34,850	9,415		44,265
Dispositions	(87,040)	(6,560)	(12)	(93,612)
Transfers to Level 2		(31,737)		(31,737)
Investment return	37,972	17,542	12	55,526
Fair value at June 30, 2013	**$ 314,435**	**$ 93,374**	**$ 83**	**$ 407,892**

The changes in unrealized losses and gains related to Level 3 investments held as of June 30, 2014 and June 30, 2013 were $69.3 million and $55.1 million, respectively. The transfers to Level 2 are the result of expiration of lock up periods. There were no transfers between Level 1 and Level 2 for the fiscal years ended June 30, 2014 and June 30, 2013.

At June 30, 2014, the University's outstanding commitments to private equity partnerships totaled $47.2 million. The projected capital call amounts are summarized in the table below (in thousands of dollars):

Fiscal Year	Amount
2015	$ 21,657
2016	13,732
2017	6,823
2018	3,331
2019	1,682
Total	**$ 47,225**

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
2015	$ 117,094
2016	1,000
2017	1,400
Total	**$ 119,494**

The following table summarizes the components of investment return in the statements of activities for the years ended June 30, 2014 and June 30, 2013 (in thousands of dollars):

		2014		2013
Investment income	$	13,741	$	13,649
Realized gains		68,455		50,295
Unrealized gains		71,327		32,178
Total investment return	**$**	**153,523**	**$**	**96,122**

Netted in investment return were investment management fees of $2.8 million and $2.6 million in fiscal years 2014 and 2013, 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, 2014, the fair value of 276 endowment funds were less than historical gift amounts of $96.0 million by a total of approximately $8.4 million, including 268 endowment funds with original fair values of $95.3 million and an underwater amount of approximately $8.4 million for which the donors permit spending when 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 trustees 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 2014 and 2013 was 3.84%. In addition, other distributions approved by the IEC of $14.0 million and $16.2 million were made in fiscal years 2014 and 2013, respectively.

The University adheres to the New York State 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. The portion of a donor restricted endowment fund that is not classified in permanently restricted net assets is required 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

At June 30, 2014 and June 30, 2013, 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):

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ (8,446)	$ 157,386	$ 357,631	$ 506,571
Quasi (Board designated)	649,464			649,464
Total	**$ 641,018**	**$ 157,386**	**$ 357,631**	**$ 1,156,035**

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ (19,667)	$ 123,342	$ 335,769	$ 439,444
Quasi (Board designated)	589,057			589,057
Total	**$ 569,390**	**$ 123,342**	**$ 335,769**	**$ 1,028,501**

Changes in net assets associated with endowment funds for the fiscal years ended June 30, 2014 and June 30, 2013 were (in thousands of dollars):

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at June 30, 2013	$ 569,390	$ 123,342	$ 335,769	$ 1,028,501
Investment return	94,450	55,710	804	150,964
Restricted contributions		2	20,787	20,789
Distributions	(27,004)	(21,601)		(48,605)
Board designated and donor required transfers	4,182	(67)	271	4,386
Net assets at June 30, 2014	**$ 641,018**	**$ 157,386**	**$ 357,631**	**$ 1,156,035**

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets at June 30, 2012	$ 491,975	$ 108,378	$ 316,169	$ 916,522
Investment return	56,713	35,982	1,139	93,834
Restricted contributions	100	5	17,902	18,007
Distributions	(26,260)	(20,956)		(47,216)
Board designated and donor required transfers	46,862	(67)	559	47,354
Net assets at June 30, 2013	**$ 569,390**	**$ 123,342**	**$ 335,769**	**$ 1,028,501**

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

The following is a summary of land, land improvements, buildings, equipment, and collections at June 30, 2014 and June 30, 2013 (in thousands of dollars):

	2014	2013
Land and land improvements	$ 73,933	$ 71,099
Buildings and buildings equipment	1,549,983	1,436,150
Equipment	97,681	92,221
Library and art collections	213,446	208,543
	1,935,043	1,808,013
Accumulated depreciation	(901,649)	(845,582)
Total	**$ 1,033,394**	**$ 962,431**

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, 2014 and June 30, 2013 is set forth below (in thousands of dollars):

	Fiscal year of maturity	2014	2013
City of Syracuse Industrial Development Agency - Civic Facility Variable Rate Revenue Bonds:			
Series 1999A and 1999B (a)	2030	$ 44,475	$ 44,475
Series 2005A and 2005B (b)	2036	80,000	80,000
Series 2008A-1 and 2008A-2 (c)	2010 - 2038	67,975	68,400
Onondaga County Industrial Development Agency - Civic Facility Variable Rate Revenue Bonds:			
Series 2008B (c)	2010 - 2038	31,475	32,250
Onondaga County Trust for Cultural Resources - Revenue Bonds:			
Series 2010A (d)	2030	75,525	75,525
Series 2010B (e)	2011 - 2020	31,260	31,415
Series 2011 (f)	2013 - 2037	45,505	46,605
Series 2013 (g)	2015 - 2039	64,460	
Bank Loan – Syracuse University Hotel and Conference Center LLC (h)	2028	8,690	9,350
		449,365	388,020
Unamortized Premium - Series 2010B (e)		2,300	2,693
Unamortized Premium - Series 2011 (f)		2,179	2,448
Unamortized Premium - Series 2013 (g)		3,030	
Total		**$ 456,874**	**$ 393,161**

(a) Periodic Auction Reset Securities (PARS) bonds have their interest rates set at weekly auctions. The interest rates at June 30, 2014 and June 30, 2013 were 0.15% for Series 1999A, and 0.10% for Series 1999B. The University makes weekly payments of the interest to the bondholders through the trustee. The University may make prepayments of principal, and is required to pay any remaining principal balance on December 1, 2029, the maturity date of the bonds.

(b) Variable rate revenue bonds have their interest rates set weekly. The interest rates at June 30, 2014 and June 30, 2013 were 0.04% and 0.05%, 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, 2014 and June 30, 2013 were 0.03% and 0.04%, respectively, for Series 2008A, and 0.04% and 0.05%, 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, 2014 and June 30, 2013 were 0.04% 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.

(e) Fixed rate bonds have interest rates at date of issuance 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. 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 4.70%. 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) Fixed rate bonds have interest rates ranging from 2.0% 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 0.31% to 4.97%. 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 2015 through 2034. The other portions of the bonds maturing in fiscal year 2039 are subject to mandatory redemption on specific sinking fund redemption dates occurring in fiscal years 2035 to 2039.

(h) 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, 2014 and June 30, 2013. 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, 2014 and June 30, 2013, the interest rates were 0.55% and 0.59%, respectively. The Syracuse University Hotel and Conference Center LLC makes monthly payments of principal and interest. The maturity date of the loan is August 5, 2027.

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

Fiscal Year		Amount
2015	$	4,600
2016		4,740
2017		4,890
2018		5,065
2019		5,290
Thereafter		424,780
Total	**$**	**449,365**

For fiscal years 2014 and 2013, capitalized interest was $2.7 million and $1.3 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, 2014 and June 30, 2013, there were requirements to collateralize the obligations under the interest rate swap agreements in the amounts of $18.3 million and $25.3 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 interest rate swap agreement.

As of June 30, 2014, the University paid two counterparties a weighted average fixed interest rate of 3.686% on a total notional amount of $299.5 million, which related to its variable interest rate revenue bonds. As of June 30, 2013, the University paid two counterparties a weighted average fixed interest rate of 3.687% on a total notional amount of $300.7 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 $8.7 million and $9.4 million as of June 30, 2014 and June 30, 2013, respectively, that related to its loan with JPMorgan Chase Bank, N.A.

At June 30, 2014 and June 30, 2013, the fair values of the University's interest rate swap agreements were ($68.0) million and ($65.1) million, respectively, and the Syracuse University Hotel and Conference Center LLC interest rate swap agreement fair values were ($1.4) million and ($1.5) million, respectively. The interest rate swap agreements are classified as Level 2 in the fair value hierarchy.

The changes of $2.8 million and $39.5 million in the fair values of the interest rate swap agreements were included in the fair value changes in interest rate swap agreements, foreign currency forward contracts, and other for the years ended June 30, 2014 and June 30, 2013, respectively. The net cash payments of $11.2 million and $11.1 million made under the interest rate swap agreements were included in interest expense during fiscal years 2014 and 2013, respectively.

(8) CAPITAL LEASE OBLIGATION

The University is leasing a building under a capitalized lease that expires in December 2027. The cost of this building was $3.4 million. At June 30, 2014 and June 30, 2013, accumulated depreciation in the statements of financial position was $0.4 million and $0.2 million, respectively relating to this lease.

Future minimum capital lease payments as of June 30, 2014 are as follows (in thousands of dollars):

Fiscal Year		Amount
2015	$	477
2016		477
2017		477
2018		484
2019		491
Thereafter		4,250
Total minimum lease payments		6,656
Less amount representing interest		3,424
Present value of minimum lease payments	**$**	**3,232**

(9) FOREIGN CURRENCY FORWARD CONTRACTS

At June 30, 2014 and June 30, 2013, the University had commitments for foreign currency forward contracts with notional values of approximately $17.2 million and $37.9 million, respectively, to hedge foreign exchange rate exposure for its programs abroad. Fair values of foreign currency forward contract commitments of $1.3 million and ($0.7) million, were included in other assets, and accounts payable and accrued liabilities, respectively. The foreign currency forward contracts are classified as Level 2 in the fair value hierarchy. For the years ended June 30, 2014 and June 30, 2013, the respective increases of $2.0 million and $0.2 million in fair values of foreign currency forward contract commitments were included in the fair value changes of interest rate swap agreements, foreign currency forward contracts, and other.

(10) TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

At June 30, 2014 and June 30, 2013, temporarily and permanently restricted net assets were comprised as follows (in thousands of dollars):

	2014		2013	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Pledges and matured bequests receivable	$ 48,974	$ 14,773	$ 45,862	$ 17,466
Other	1,901	3,978	2,567	3,817
Funding for facilities	1,919		2,258	
Funding for student loans		3,800		3,658
Life income, annuity, and similar funds	7,788	19,701	6,595	18,353
Endowment funds:				
Scholarships	76,354	175,194	60,759	170,852
Endowed chairs	42,226	81,404	32,763	74,951
Education	19,951	63,941	14,119	53,309
Other	18,855	37,092	15,701	36,657
Total net assets	**$ 217,968**	**$ 399,883**	**$ 180,624**	**$ 379,063**

(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 2014 and 2013 were approximately $30.4 million and $29.5 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):

		2014		2013
Change in benefit obligation:				
Benefit obligation at beginning of year	$	37,625	$	40,052
Service cost		2,197		2,617
Interest cost		1,579		1,457
Plan participants' contributions		682		631
Amendments		(504)		
Actuarial loss (gain)		591		(4,580)
Benefits paid		(2,524)		(2,634)
Medicare Part D prescription drug federal subsidy		62		82
Benefit obligation at end of year	**$**	**39,708**	**$**	**37,625**

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):

		2014		2013
Actuarial (loss) gain	$	(591)	$	4,580
Prior service credit		504		
Amortization of:				
Actuarial gain		(547)		(64)
Prior service credits		(829)		(793)
Total recognized in unrestricted net assets	**$**	**(1,463)**	**$**	**3,723**

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

		2014		2013
Service cost	$	2,197	$	2,617
Interest cost		1,579		1,457
Amortization of actuarial gain		(547)		(64)
Amortization of prior service credits		(829)		(793)
Net periodic postretirement benefit cost	**$**	**2,400**	**$**	**3,217**

For measurement purposes, annual rates of increase in the per capita cost of covered healthcare of 7.5% and 6.2% for pre-65 and post-65 retirees, respectively, were assumed as of June 30, 2014. An annual rate of increase in the per capita cost of covered prescription drug benefits of 6.25% was assumed as of June 30, 2014. The rates were assumed to decrease to 5.0% for both healthcare and prescription drug benefits by fiscal year 2023 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	$	609	$	(521)
Effect on postretirement benefit obligation	$	5,184	$	(4,442)

As of June 30, 2014 and June 30, 2013, the discount rates used in determining the benefit obligations were 4.11% and 4.52%, respectively, and the discount rates used in determining the net periodic postretirement benefit costs were 4.52% and 3.86%, respectively.

Contributions to the postretirement benefit plans, net of employee contributions and the Medicare subsidy, were $1.8 million in fiscal year 2014 and are estimated to be $1.7 million for fiscal year 2015.

The net benefits expected to be paid in each fiscal year from 2015 through 2019 are approximately $2.0 million and the net aggregate expected payments including years through fiscal year 2024 total approximately $21.9 million. The expected benefits are based on the assumptions used to measure the University's benefit obligation at June 30, 2014, and include estimated future employees' service.

In addition to service and interest costs, the components of projected net periodic postretirement benefit cost for fiscal year 2015 are amortization of prior service credits of approximately $0.8 million and amortization of actuarial gains of approximately $0.3 million. The unamortized prior service credits and unamortized net actuarial gain were $2.9 million and $5.5 million, respectively, at June 30, 2014.

(12) 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, 2014 had aggregate principal amounts of approximately $9.6 million. No lending institution has sought payment from the University on any mortgage guaranteed by the University. However, if the University were to pay on a guaranty, the University would receive an assignment of the note and mortgage.

The Syracuse University (USA) London Program leases a building in London, England. The lease commenced in fiscal year 2006 and has a term of 20 years. The annual rent and value added tax for fiscal year 2014 totaled 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 approximately $270.9 million at June 30, 2014 and $272.1 million at June 30, 2013 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, 2014, the University had approximately $57.1 million of construction commitments and $16.1 million of energy purchase commitments.

The University evaluated subsequent events for potential recognition or disclosure through July 30, 2014, the date on which the financial statements were available to be issued.

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