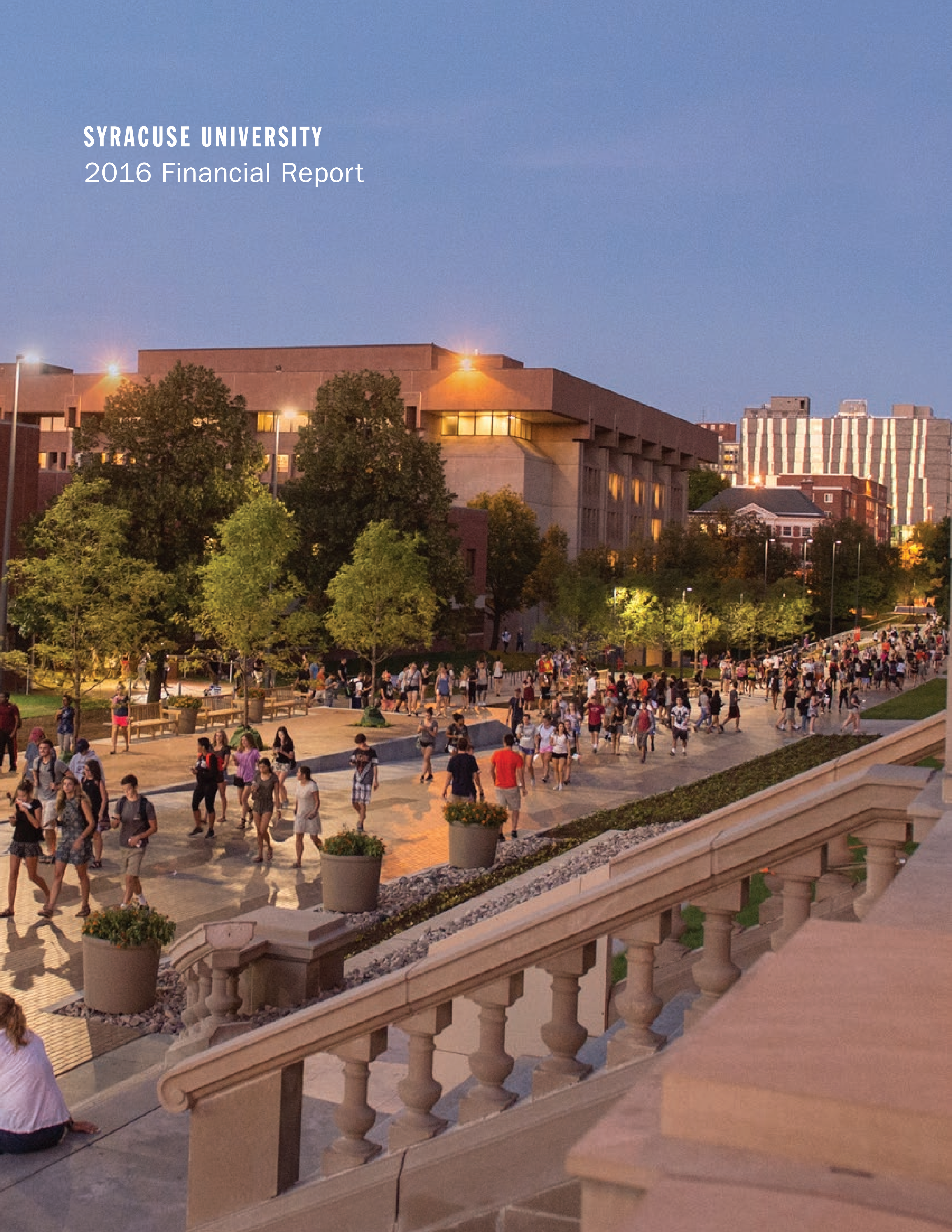
SYRACUSE UNIVERSITY

2016 Financial Report



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Kent Syverud
Chancellor and President

SYRACUSE UNIVERSITY CONCLUDED ANOTHER STRONG FISCAL YEAR DUE TO prudent resource management and strategic investments that further advance Syracuse as a great international research university. These measures reflect an ongoing commitment distinguishing Syracuse as a place where world-class scholarship flourishes and students gain the skills and knowledge needed to succeed.

Universities nationwide face increased competition today for the best and brightest students and faculty. Syracuse continues to perform strongly in attracting both high-quality students and deeply accomplished faculty. This year's entering class again is very strong, both in terms of academic merit and in terms of the diversity they bring to our university. Our first-year class comes from across the United States and from nearly 100 countries.

Much of our momentum these past 12 months has grown out of two strategic planning efforts: the Academic Strategic Plan and the Campus Framework. These two initiatives together serve as a strategic road map to advance the quality of both learning and research and the environment that supports them. During the 2016 fiscal year, the University made significant strides toward long-term goals laid out in both plans. There is much more to do, but these efforts are ensuring that our investments align fully with our strategic priorities.

In addition, attention to deferred maintenance and growing the endowment in support of financial aid and faculty positions have been and continue to be priorities. These measures, too, are designed to further advance our competitive position among our peers.

This year also has brought several leadership changes, including the retirement of Executive Vice President and Chief Financial Officer (CFO) Louis G. Marcoccia in June. I am deeply grateful to Lou for his more than four decades of careful fiscal stewardship on behalf of Syracuse University. I also would like to thank Gwenn B. Judge for stepping in as Interim Vice President and CFO during this period of transition.

The University's ability to evolve and thrive in a shifting higher education landscape is a tribute both to careful fiscal management and to deeply dedicated employees, including faculty and staff at every level. Together they have generated strong forward momentum. I am confident that we will grow even stronger financially in the year ahead.

Kent Syverud

Gwenn B. Judge
Interim Vice President and
Chief Financial Officer

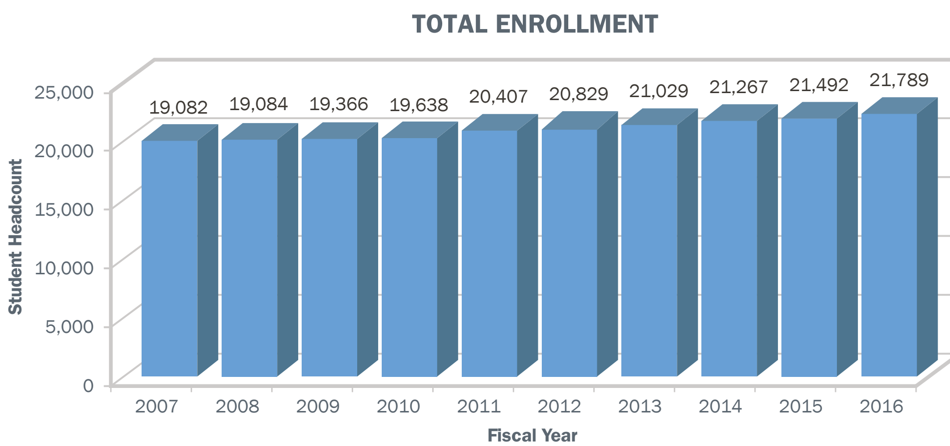
FISCAL YEAR 2016 HIGHLIGHTS

Fiscal year 2016 was another successful year of both achievement and advancement for the University. The financial momentum and progress achieved to date provides a solid foundation for the University to pursue its goals for the future. While the University is poised to invest in the future, it does so with recognition of the need for continued prudent financial management. The University continues to focus on generating sufficient annual resources and controlling expenditures in support of a balanced budget. During fiscal year 2016, the University was fiscally prudent, and utilized less financial resources than planned, thereby demonstrating its commitment to fiscal sustainability while continuing to evolve as a world-class research university.

The University experienced a year of excellent fundraising and anticipates further growth in the coming years. Significant funding for capital improvements was provided for its facilities. Additionally, during fiscal year 2016, the University unveiled its draft Campus Framework plan that includes extraordinary infrastructure development that will support the University's core mission of education, research, and a commitment to being the best university for veterans. Implementation of the Campus Framework plan will further support the University's position of excellence. Major capital projects during fiscal year 2016 included the University Place Promenade, renovations to Flint Hall, McNaughton Hall, Haven Hall, Shaw Hall and more than $13.0 million in classroom upgrades, learning technology enhancements, and accessibility improvements.

ENROLLMENT, TUITION AND FINANCIAL AID

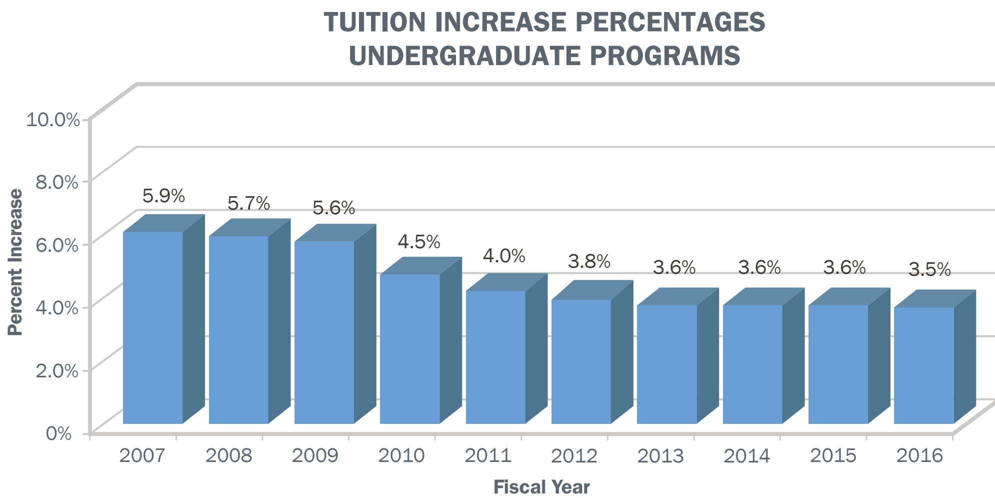
The University achieved a fiscal year 2016 total enrollment* of approximately 21,800, an increase of 14.1% from approximately 19,100 students in fiscal year 2007. The following chart illustrates the University's continuous steady increase in enrollment from fiscal year 2007 through fiscal year 2016.

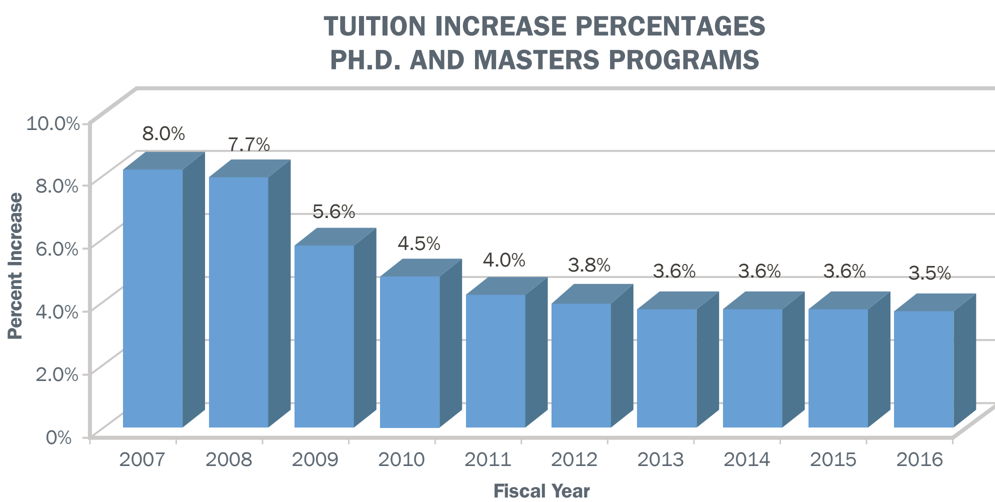


Enhancing the student experience is a continuing goal of the University. To help achieve this goal, the University has been mindful of increases in tuition with respect to student affordability. The following charts display the tuition increase percentages undergraduate, Ph.D., masters and professional programs of study for undergraduate, graduate and law including non-credit courses from fiscal year 2007 through fiscal year 2016.

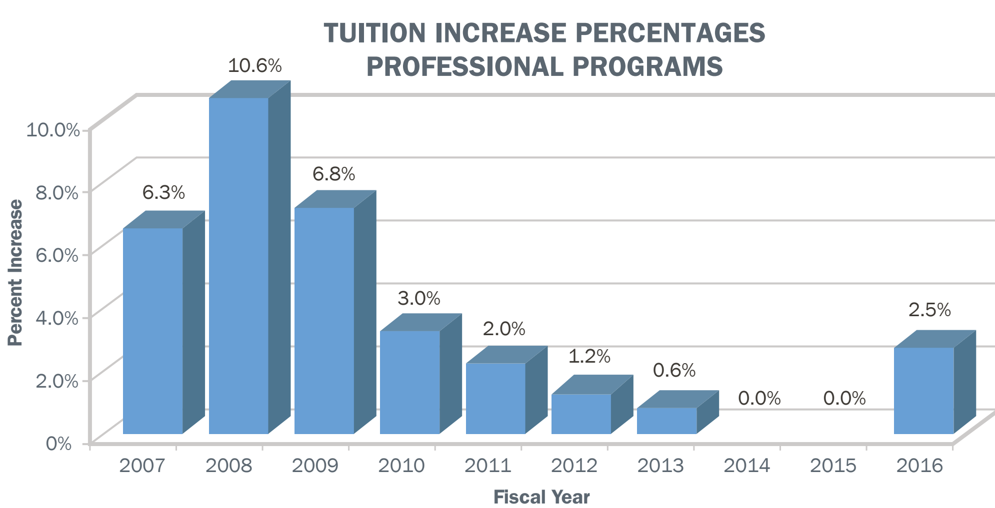
*Total enrollment includes students enrolled in undergraduate, Ph.D., masters and professional programs of study and non-credit programs and courses.

Fiscal year 2016 experienced the lowest tuition percentage increase in the past ten years undergraduate, Ph.D., and masters programs of study.

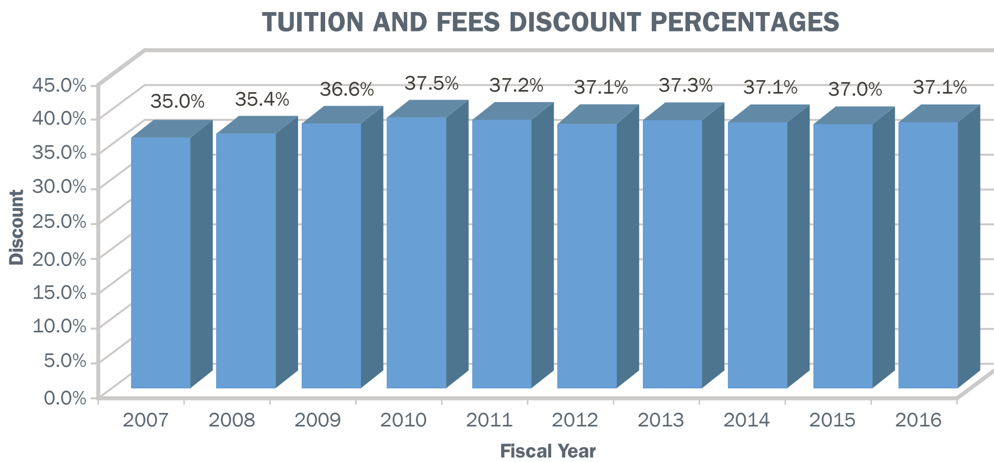




Fiscal year 2016 Professional Programs tuition increased modestly by 2.5% after two consecutive fiscal years with no increases in tuition cost.

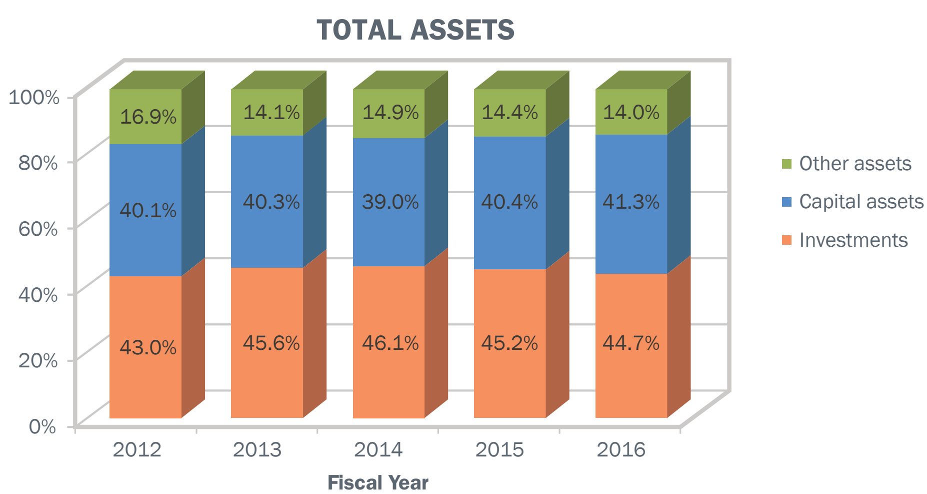


The affordability of higher education can be challenging for many families and during fiscal year 2016 resources were allocated to address financial need. The University's overall tuition and fees discount* which includes both restricted and unrestricted funding has increased over the past ten years. In fiscal year 2007, the University's tuition and fees discount percentage was 35.0%, and by fiscal year 2016 the University had increased its overall tuition and fees discount percentage to 37.1%.



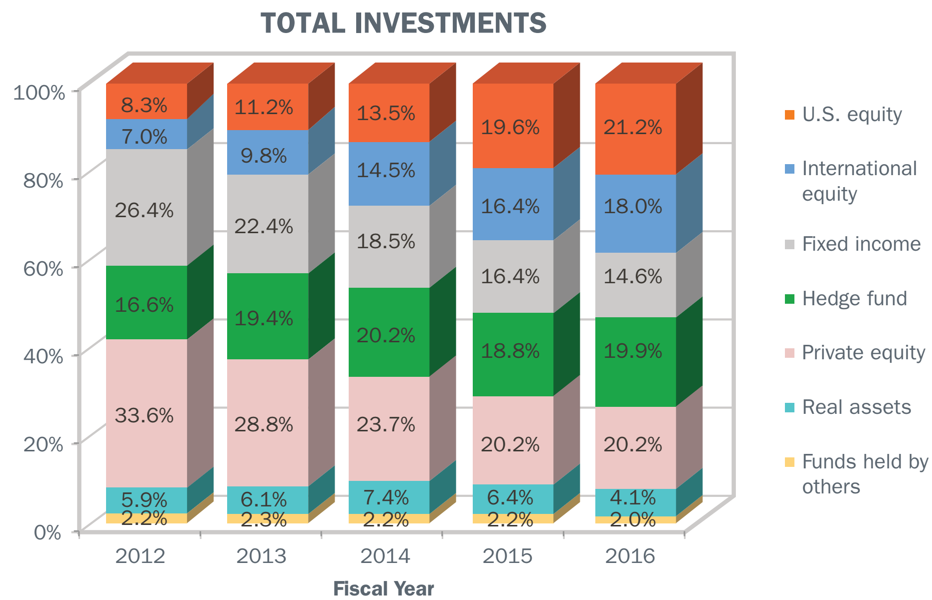
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION HIGHLIGHTS

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, 2016. The majority of the University's assets are comprised of its investments and net capital assets, which represented 86.0% of assets and totaled $2.3 billion at June 30, 2016. Future strategically targeted improvements to net capital assets will occur as outlined in the Draft Campus Framework. The following chart represents assets category percentages at June 30 for fiscal year 2016 and for the previous four fiscal years.

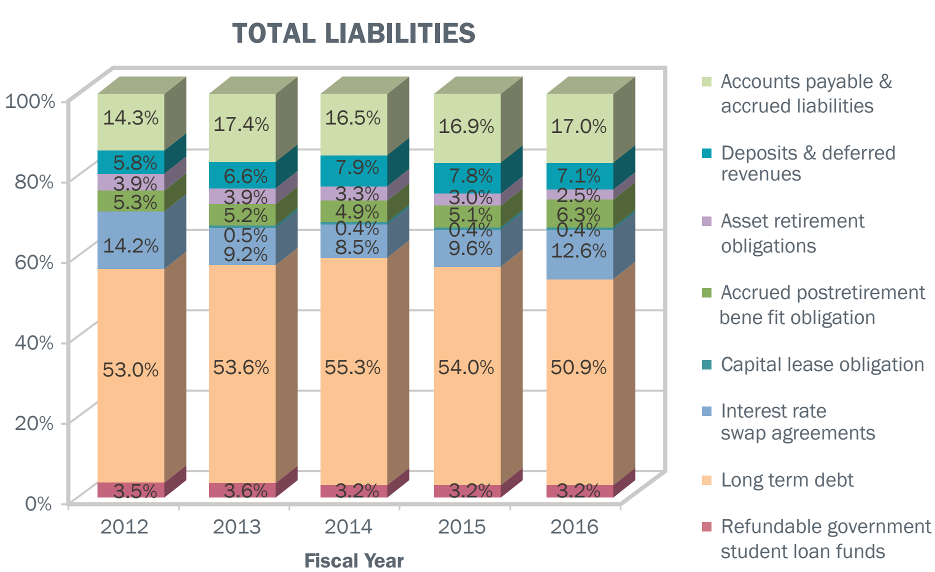


*The overall discount includes unrestricted and restricted funded financial aid awarded to students enrolled in undergraduate, Ph.D., masters and professional programs of study as a percent of total University tuition and student fees.

Investments totaled $1.2 billion at June 30, 2016, a balance that remained consistent with the June 30, 2015 balance. U.S equity and international equity balances have grown to be larger components of the University's total investments portfolio. The chart below provides a summary of the University's investments category percentages over five fiscal years.



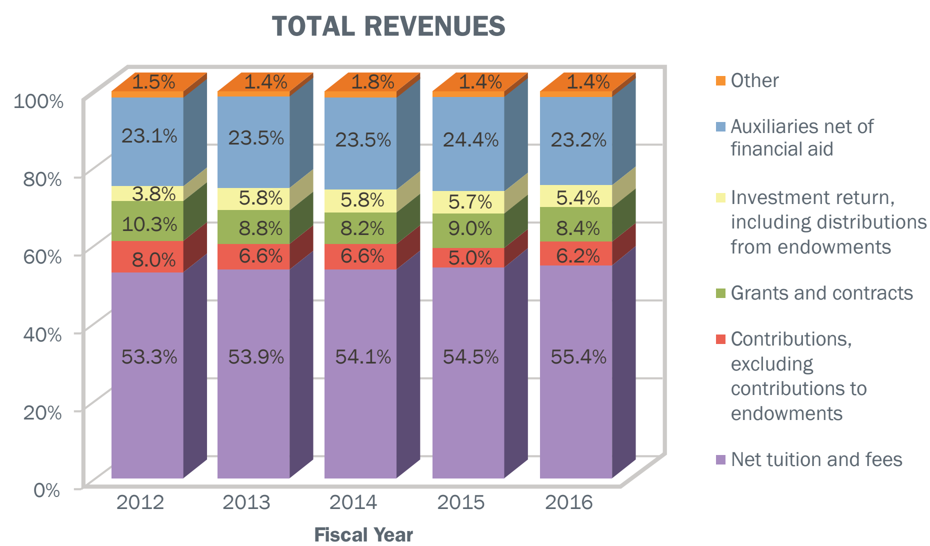
Liabilities totaled $865.5 million at June 30, 2016 and are presented below in the order of their anticipated liquidation, from accounts payable and accrued liabilities to refundable government student loan funds. The University's long-term debt represented 50.9% of total liabilities. Bonds issued to fund building improvements and new construction on campus comprised the majority of the outstanding long-term debt at June 30, 2016. The following chart sets forth liabilities category percentages over five fiscal years.



CONSOLIDATED STATEMENTS OF ACTIVITIES HIGHLIGHTS

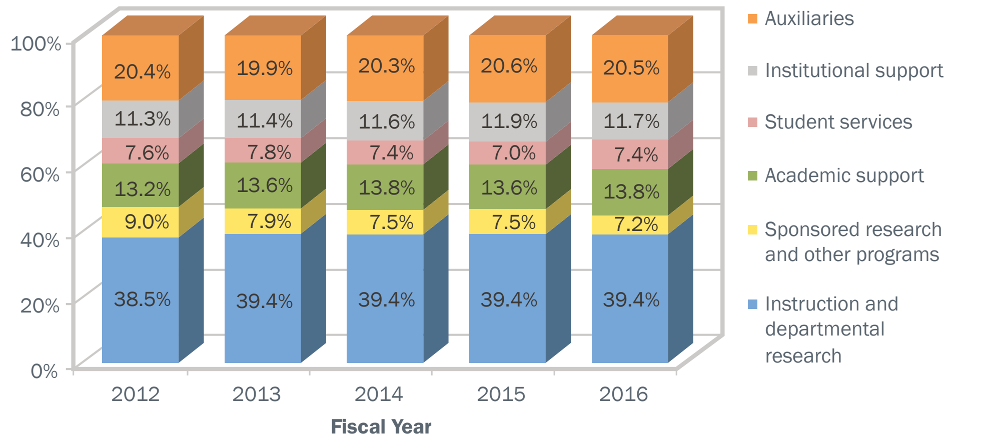
The Statement of Activities is a summary of the revenues, expenses and other items for the fiscal year, classified according to the existence or absence of donor restrictions. Total revenues for the fiscal year ended June 30, 2016 increased by 2.8% to $944.0 million, principally resulting from increases in revenues from net tuition and fees and contributions, excluding contributions to endowments.

Net tuition and fees combined with auxiliaries revenues accounted for 78.6% of total revenues. Net tuition and fees totaled $522.6 million in fiscal year 2016, which represented 55.4% of total revenues, compared to $500.3 million and 54.5% of total revenues in fiscal year 2015. Auxiliaries revenues, which include revenues from student housing, food service, athletics, bookstore, and the steam station facility totaled $219.1 million in fiscal year 2016, a decrease of $4.7 million from fiscal year 2015. The following chart illustrates a summary of the components of total revenues over five fiscal years.



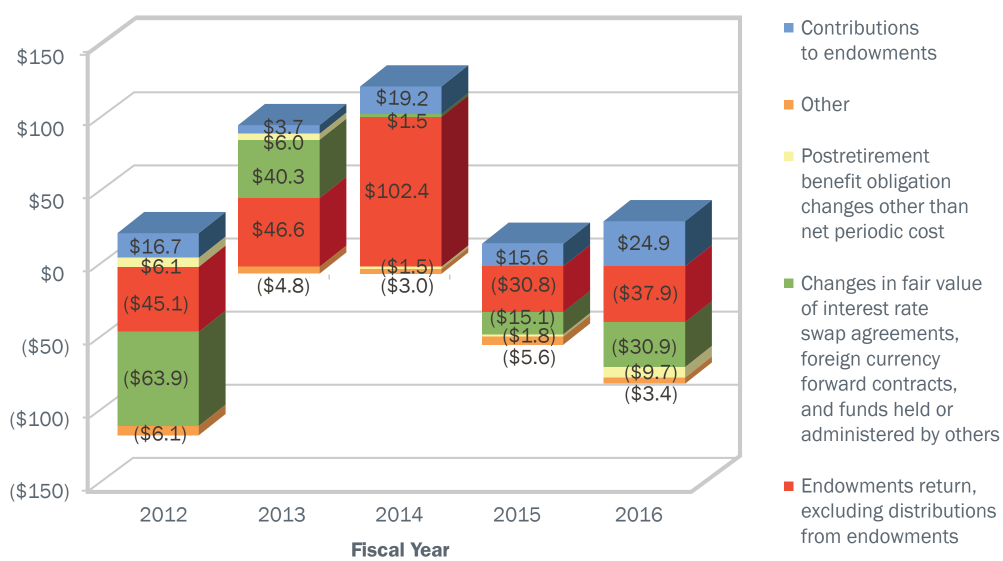
Expenses increased 3.3%, from $876.3 million in fiscal year 2015 to $905.1 million in fiscal year 2016. The following chart summarizes the distribution of expenses for the most recent five fiscal years. Instruction and departmental research expenses continued to comprise the majority of the University expenses and have remained at 39.4%. Under the guiding principles of the University's Operational Excellence Program, the University will continue to identify administrative services that can be provided more efficiently. In the coming year, strategic procurement will be a focus, leveraging economies of scale with the goal of obtaining costs savings and higher quality services.

TOTAL EXPENSES

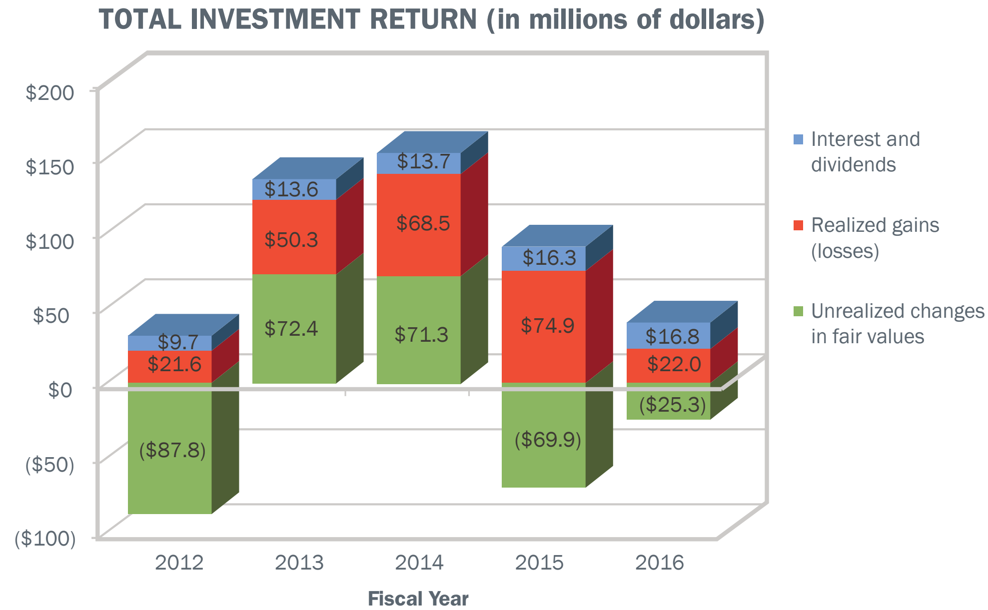


Total other changes in net assets were negative ($57.1) million for the year ended June 30, 2016. Contributions to endowments were $24.9 million. Endowments return, excluding distributions from endowments were negative ($37.9) million. Changes in fair values of interest rate swap agreements, foreign currency forward contracts, and funds held or administered by others were negative ($30.9) million. Postretirement benefit obligation changes other than net periodic cost were negative ($9.7) million, and other was negative ($3.4) million. The following chart illustrates a summary of the components and dollar amounts of other changes over five fiscal years.

TOTAL OTHER (in millions of dollars)



Fiscal year 2016 total investment return, which includes both investment return, including distributions from endowments and endowments return, excluding distributions from endowments was 0.8% in fiscal year 2016, compared to 1.4% in fiscal year 2015. Like many institutions, the University experienced minimal returns during both fiscal year 2016 and 2015. The chart below provides a summary of the University's total investment return over five fiscal years.



CONSOLIDATED STATEMENTS OF CASH FLOWS

In fiscal year 2016 there was a decrease in cash and cash equivalent amounts of approximately $5.6 million. The components of the change were net cash provided by operating activities of $66.4 million; net cash used in investing activities of ($100.2) million; and net cash provided by financing activities of $28.2 million.

The University's ability to manage financial risks and opportunities is very important in achieving the aspiration to be a pre-eminent and inclusive student-focused research institution. We thank you for your continued support.

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 Comptroller Jean B. Gallipeau; Associate Comptroller Michael A. Paparo; Budget and Planning Interim Director Cynthia L. Carnahan; Treasurer David J. Smith; Associate Treasurer Scott C. Kemp; and Audit and Management Advisory Services Director Stephen G. Colicci.

Gwenn B. Judge

Interim Vice President and Chief Financial Officer

MANAGEMENT IS RESPONSIBLE FOR THE PREPARATION, INTEGRITY AND objectivity of the consolidated financial statements of Syracuse University. The statements have been prepared in accordance with U.S. generally accepted accounting principles, and include certain estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Management fulfills its responsibility primarily by establishing and maintaining an internal control structure that is designed to provide reasonable assurance that the University's assets are safeguarded, transactions are executed in accordance with management's authorization, and that the University's financial records may be relied upon for the purpose of preparing financial statements and related disclosures. That system is monitored and assessed by direct management review and by the University's Audit and Management Advisory Services department. In addition, the University recognizes its responsibility for conducting its affairs according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in key policy statements issued from time to time regarding, among other things, conduct of its business activities, a code of ethics for the University's senior financial officers, and disclosure and management of potential conflicts of interest by its trustees and employees. Accordingly, the University maintains programs to assess compliance with those policies.

The University's Board of Trustees Audit Committee appointed KPMG LLP as its independent auditors to audit the University's consolidated financial statements. Their accompanying report is based on audit procedures conducted in accordance with auditing standards generally accepted in the United States of America, which include the consideration of the University's internal controls to establish a basis for determining the nature, timing, and extent of audit tests to be applied. The independent auditors were given unrestricted access to financial records and related data, including minutes of trustees meetings.

The Audit Committee of the Board of Trustees, which consists of trustees who are neither officers nor employees of the University, is responsible for the oversight of the work performed by the independent auditors, oversight of the work performed by the Audit and Management Advisory Services department, as well as overseeing the University's internal control systems and financial reporting processes. The Audit Committee meets with financial management, the independent auditors, and the director of the Audit and Management Advisory Services department to review financial reporting, internal accounting controls, and auditing matters. Both the independent auditors and the director of the Audit and Management Advisory Services department have direct and private access to the Audit Committee.

Kent Syverud
Chancellor and President

Gwenn B. Judge
Interim Vice President and
Chief Financial Officer

KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Trustees
Syracuse University:

We have audited the accompanying consolidated financial statements of Syracuse University, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Syracuse University as of June 30, 2016 and 2015, 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 28, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

(Thousands of dollars)		2016		2015
ASSETS				
Cash and cash equivalents	$	135,157	$	140,750
Interest rate swap agreements collateral		62,400		28,100
Receivables, net		133,535		135,670
Other assets		33,579		31,396
Investments		1,199,130		1,204,029
Funds held by bond trustee		11,780		49,281
Land, land improvements, buildings, equipment, and collections, net		1,109,868		1,075,920
Total assets	$	2,685,449	$	2,665,146
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts payable and accrued liabilities	$	146,997	$	139,922
Deposits and deferred revenues		61,681		64,463
Asset retirement obligations		21,774		24,848
Accrued postretirement benefit obligation		54,886		41,989
Capital lease obligation		3,048		3,151
Interest rate swap agreements		108,740		79,252
Long-term debt		440,800		446,255
Refundable government student loan funds		27,559		27,074
Total liabilities		865,485		826,954
NET ASSETS:				
Unrestricted		1,188,230		1,223,184
Temporarily restricted		195,888		202,586
Permanently restricted		435,846		412,422
Total net assets		1,819,964		1,838,192
TOTAL LIABILITIES AND NET ASSETS	$	2,685,449	$	2,665,146

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2016
With Comparative Totals for the Year ended June 30, 2015
(Thousands of dollars)

	Unrestricted	Temporarily restricted	Permanently restricted	2016 total	2015 total
REVENUES:					
Tuition and fees	$ 830,285			$ 830,285	$ 794,556
Less financial aid	307,663			307,663	294,259
Net tuition and fees	522,622			522,622	500,297
Contributions, excluding contributions to endowments	43,070	$ 15,012		58,082	46,231
Grants and contracts	79,752			79,752	82,328
Investment return, including distributions from endowments	51,579	(190)		51,389	52,105
Auxiliaries, net of financial aid of $6.8 million in 2016 and $6.4 million in 2015	219,100			219,100	223,821
Other	13,040			13,040	13,671
Net assets released from restrictions	13,533	(13,533)			
Total revenues	942,696	1,289		943,985	918,453
EXPENSES:					
Instruction and departmental research	356,731			356,731	344,886
Sponsored research and other programs	65,365			65,365	66,145
Academic support	125,143			125,143	119,038
Student services	66,670			66,670	61,713
Institutional support	105,560			105,560	104,627
Auxiliaries	185,679			185,679	179,841
Total expenses	905,148			905,148	876,250
Increase in net assets from revenues and expenses	37,548	1,289		38,837	42,203
OTHER CHANGES IN NET ASSETS:					
Contributions to endowments			$ 24,890	24,890	15,614
Endowments return, excluding distributions from endowments	(31,171)	(7,237)	496	(37,912)	(30,791)
Changes in fair values of interest rate swap agreements, foreign currency forward contracts, and funds held or administered by others	(28,946)	(631)	(1,388)	(30,965)	(15,086)
Postretirement benefit obligation changes other than net periodic cost	(9,711)			(9,711)	(1,815)
Other	(2,674)	(119)	(574)	(3,367)	(5,581)
Total other changes in net assets	(72,502)	(7,987)	23,424	(57,065)	(37,659)
(Decrease) increase in net assets	(34,954)	(6,698)	23,424	(18,228)	4,544
Net assets at beginning of year	1,223,184	202,586	412,422	1,838,192	1,833,648
NET ASSETS AT END OF YEAR	$ 1,188,230	$ 195,888	$ 435,846	$ 1,819,964	$ 1,838,192

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

(Thousands of dollars)

	Unrestricted	Temporarily restricted	Permanently restricted	2015 total
REVENUES:				
Tuition and fees	$ 794,556			$ 794,556
Less financial aid	294,259			294,259
Net tuition and fees	500,297			500,297
Contributions, excluding contributions to endowments	33,771	$ 12,460		46,231
Grants and contracts	82,328			82,328
Investment return, including distributions from endowments	52,105			52,105
Auxiliaries, net of financial aid of $6.4 million	223,821			223,821
Other	13,671			13,671
Net assets released from restrictions	14,707	(14,707)		
Total revenues	920,700	(2,247)		918,453
EXPENSES:				
Instruction and departmental research	344,886			344,886
Sponsored research and other programs	66,145			66,145
Academic support	119,038			119,038
Student services	61,713			61,713
Institutional support	104,627			104,627
Auxiliaries	179,841			179,841
Total expenses	876,250			876,250
Increase (decrease) in net assets from revenues and expenses	44,450	(2,247)		42,203
OTHER CHANGES IN NET ASSETS:				
Contributions to endowments			$ 15,614	15,614
Endowments return, excluding distributions from endowments	(18,325)	(12,757)	291	(30,791)
Changes in fair values of interest rate swap agreements, foreign currency forward contracts, and funds held or administered by others	(14,240)	(131)	(715)	(15,086)
Postretirement benefit obligation changes other than net periodic cost	(1,815)			(1,815)
Other	(2,683)	(247)	(2,651)	(5,581)
Total other changes in net assets	(37,063)	(13,135)	12,539	(37,659)
Increase (decrease) in net assets	7,387	(15,382)	12,539	4,544
Net assets at beginning of year	1,215,797	217,968	399,883	1,833,648
NET ASSETS AT END OF YEAR	$ 1,223,184	$ 202,586	$ 412,422	$ 1,838,192

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

JUNE 30, 2016 AND 2015

(Thousands of dollars)		2016		2015
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	$	(18,228)	$	4,544
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Postretirement benefit obligation changes other than net periodic cost		9,711		1,815
Depreciation and amortization		71,724		68,192
Changes in fair value of investments and financial instruments		33,763		7,966
Gifts of property and equipment		(3,208)		(1,149)
Contributions restricted for investment and physical facilities		(29,311)		(25,252)
Changes in operating assets and liabilities:				
Receivables, net		2,999		(4,939)
Other assets		(2,235)		(2,380)
Accounts payable and accrued liabilities		3,872		13,108
Deposits and deferred revenues		(2,783)		373
Asset retirement obligations		(3,074)		(1,895)
Accrued postretirement benefit obligation		3,186		466
Net cash provided by operating activities		66,416		60,849
CASH FLOWS FROM INVESTING ACTIVITIES:				
Loans made to students		(5,858)		(6,004)
Loans paid by students		4,994		4,920
Purchases of investments		(304,442)		(355,892)
Sales and maturities of investments		305,030		421,317
Purchases of land, land improvements, buildings, equipment, and collections		(99,887)		(119,250)
Net cash used in investing activities		(100,163)		(54,909)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Contributions restricted for investment and physical facilities		29,311		25,252
Payments of long-term debt		(4,740)		(4,600)
Payments of capital lease obligation		(103)		(81)
Changes in interest rate swap agreements collateral		(34,300)		(9,800)
Change in funds held by bond trustee, net of purchases and sales by bond trustee		37,501		(18,599)
Change in refundable government student loan funds		485		461
Net cash provided by (used in) financing activities		28,154		(7,367)
Net decrease in cash and cash equivalents		(5,593)		(1,427)
Cash and cash equivalents at beginning of year		140,750		142,177
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	135,157	$	140,750
Supplemental disclosure:				
Interest paid	$	18,534	$	18,735
Change in accounts payable for land, land improvements, buildings, equipment, and collections	$	3,292	$	(8,951)

See accompanying notes to consolidated 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 21,800 students, including approximately 15,100 full-time undergraduate and law students, approximately 4,200 full-time master's and doctoral students, and approximately 2,500 part-time students. Geographically, the undergraduate student body represents 48 states and 98 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 consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP), and include the accounts of Syracuse University, Syracuse University (USA) London Program, SU Istanbul Egitim Destek Ve Danisma Hizmetleri Ticaret Limited Sirketi, Drumlins, Inc., Orange Insurance Company, LLC, and Syracuse University Hotel and Conference Center LLC.

(b) Reclassifications

Certain reclassifications have been made to the 2015 information to conform to the 2016 presentation.

(c) Net Asset Classes

The accompanying consolidated 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) 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 partnership funds. In the absence of readily determinable public market values, alternative investments are valued using current net asset values or the equivalent 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.

(g) Funds Held by Bond Trustee

Unspent bond proceeds are held by the bond trustee and are invested in money market vehicles and individual bond issues 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 collections 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

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.

Level 3 – inputs are unobservable and 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.

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.

Investments reported at net asset value or its equivalent (NAV) as a practical expedient to estimate fair value are not classified in the fair value hierarchy.

(j) Allocation of Certain Expenses

The fiscal year 2016 and 2015 consolidated 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 GAAP 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 consolidated 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. Orange Insurance Company, LLC and Syracuse University Hotel and Conference Center LLC, wholly owned by the University, are reported in the University's income tax filings. Drumlins, Inc. is a taxable subsidiary of the University, filing its 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 consolidated financial statements, and do not have a material effect, individually or in the aggregate, on the University's consolidated 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, 2016 and June 30, 2015 (in thousands of dollars):

	2016	2015
Accounts receivable	$ 83,111	$ 80,587
Pledges receivable, net of present value discount	61,776	65,095
Matured bequests receivable	1,477	2,619
	146,364	148,301
Allowance for doubtful accounts	(12,829)	(12,631)
Total	$ 133,535	$ 135,670

Accounts receivable included student loans receivable of $36.0 million and $35.2 million, at June 30, 2016 and June 30, 2015, respectively, net of allowances for doubtful accounts of approximately $1.0 million at both June 30, 2016, and June 30, 2015.

Unconditional pledges and matured bequests at June 30, 2016 and June 30, 2015 are restricted by donors predominantly for scholarships, other operating, and capital expenditure purposes. They are expected to be realized in the following periods (in thousands of dollars):

		2016		2015
Less than one year	$	25,688	$	28,336
One year to five years		25,270		22,642
More than five years		23,715		29,073
		74,673		80,051
Allowance for doubtful accounts		(9,983)		(9,935)
Present value discount		(11,420)		(12,337)
Total	$	53,270	$	57,779

The discount rates used to present value the pledges range from 0.72% to 6.00% at June 30, 2016 and June 30, 2015.

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 $10.8 million and $13.8 million as of June 30, 2016 and June 30, 2015, 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 Investment and Endowment Committee of the University's Board of Trustees.

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 partnerships, 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 partnership 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 asset funds include investments in companies whose businesses are typically related to natural resources and real estate.

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 the 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, 2016 and June 30, 2015, the University had no specific plans or intentions to sell investments at amounts different than NAV.

The University's investments at June 30, 2016 are summarized in the following table (in thousands of dollars):

	Redemption availability	Level 1	Level 2	Total
Investments measured at fair value:				
Marketable securities:				
U.S. equity	Daily	$ 250,206	$ 4,015	$ 254,221
International equity	Daily	149,384	1,767	151,151
Fixed income	Daily	37,509	19,392	56,901
Real asset	Daily	48,639		48,639
Total marketable securities		485,738	25,174	510,912
Funds held or administered by others	Not applicable	1,297	22,859	24,156
Subtotal		487,035	48,033	535,068
Investments measured at net asset value:				
Commingled funds:				
International equity	Monthly			64,289
Fixed income	Daily to monthly			118,732
Hedge funds:				
Long/short	Monthly to illiquid			58,691
Global	Quarterly to illiquid			13,176
Multi-strategy	Quarterly to illiquid			72,882
Other	Monthly to annually			93,887
Private partnerships:				
Buyout	Illiquid			130,818
Venture capital	Illiquid			70,011
Debt related	Illiquid			18,275
Real asset	Illiquid			23,301
Subtotal				664,062
Total		$ 487,035	$ 48,033	$ 1,199,130

The days' notice that is required to be given to investment managers to redeem the specific asset classes above are: 1 to 4 days for U.S. equity; 1 to 10 days for international equity; 1 to 15 days for fixed income; 1 to 4 days for real asset; and 1 to 100 days for hedge funds.

The University's investments at June 30, 2015 are summarized in the following (in thousands of dollars):

	Redemption availability	Level 1	Level 2	Total
Investments measured at fair value:				
Marketable securities:				
U.S. equity	Daily	$ 228,480	$ 4,962	$ 233,442
International equity	Daily	181,391	922	182,313
Fixed income	Daily	44,121	48,548	92,669
Real asset	Daily	77,398		77,398
Total marketable securities		531,390	54,432	585,822
Funds held or administered by others	Not applicable	1,859	23,818	25,677
Subtotal		533,249	78,250	611,499
Investments measured at net asset value:				
Commingled funds:				
International equity	Monthly			15,576
Fixed income	Daily to monthly			104,535
Hedge funds:				
Long/short	Monthly to illiquid			39,177
Global	Quarterly to illiquid			15,229
Multi-strategy	Quarterly to illiquid			65,447
Other	Monthly to annually			109,541
Private partnerships:				
Buyout	Illiquid			138,213
Venture capital	Illiquid			68,974
Debt related	Illiquid			28,870
Real asset	Illiquid			6,968
Subtotal				592,530
Total		$ 533,249	$ 78,250	$ 1,204,029

The days' notice that is required to be given to investment managers to redeem the specific asset classes above are: 1 to 4 days for U.S. equity; 1 to 10 days for international equity; 1 to 15 days for fixed income; 1 to 4 days for real asset; and 1 to 100 days for hedge funds.

There were no transfers between Level 1 and Level 2 for fiscal year ended June 30, 2016 or June 30, 2015.

The private partnerships have initial terms of 10 years with extensions of one to four years and have an average remaining expected life of 2.7 years and 2.5 years as of June 30, 2016 and June 30, 2015, respectively. At June 30, 2016, the University's outstanding commitments to private partnerships totaled $110.2 million. Private partnerships are considered to be illiquid because distributions are made upon the liquidation of underlying investments.

Certain of the University's hedge fund investments are illiquid as a result of restrictions that 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
2017	$	843
2018		8,381
Total	$	9,224

The following table summarizes the components of investment return in the consolidated statements of activities for the years ended June 30, 2016 and June 30, 2015 (in thousands of dollars):

		2016		2015
Interest and dividends	$	16,773	$	16,263
Realized gains		21,992		74,945
Unrealized losses		(25,288)		(69,894)
Total investment return	$	13,477	$	21,314

Netted in investment return were investment management fees of $2.9 million and $2.8 million in fiscal years 2016 and 2015, respectively.

(5) Endowment Funds

The University's endowment consists of approximately 2,100 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, 2016, the fair value of 453 endowment funds were less than historical gift amounts of $145.3 million by a total of approximately $13.6 million, including 445 endowment funds with original fair values of $140.5 million and an underwater amount of approximately $13.6 million for which the donors permit spending when the funds are underwater. At June 30, 2015, the fair value of 363 endowment funds were less than historical gift amounts of $119.6 million by a total of approximately $11.7 million, including 353 endowment funds with original fair values of $117.3 million and an underwater amount of approximately $11.6 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 trustee Investment and Endowment Committee (IEC) 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 2016 and 2015 was 3.84%. In addition, other distributions approved by the IEC of $10.4 million and $14.5 million were made in fiscal years 2016 and 2015, 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 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, 2016 and June 30, 2015, 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):

	2016			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor restricted	$ (13,636)	$ 137,255	$ 395,357	$ 518,976
Quasi (Board designated)	611,640			611,640
Total	$ 598,004	$ 137,255	$ 395,357	$ 1,130,616

	2015			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor restricted	$ (11,655)	$ 144,563	$ 372,015	$ 504,923
Quasi (Board designated)	635,317			635,317
Total	$ 623,662	$ 144,563	$ 372,015	$ 1,140,240

Changes in net assets associated with endowment funds for the fiscal years ended June 30, 2016 and June 30, 2015 were (in thousands of dollars):

	2016			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Net assets at June 30, 2015	$ 623,662	$ 144,563	$ 372,015	$ 1,140,240
Investment return	(256)	11,638	496	11,878
Contributions		2	22,489	22,491
Distributions	(30,915)	(18,875)		(49,790)
Board designated and donor required transfers	5,513	(73)	357	5,797
Net assets at June 30, 2016	$ 598,004	$ 137,255	$ 395,357	$ 1,130,616

	2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at June 30, 2014	$ 641,018	$ 157,386	$ 357,631	$ 1,156,035
Investment return	8,125	11,818	291	20,234
Contributions		2	13,568	13,570
Distributions	(26,450)	(24,575)		(51,025)
Board designated and donor required transfers	969	(68)	525	1,426
Net assets at June 30, 2015	$ 623,662	$ 144,563	$ 372,015	$ 1,140,240

(6) Land, Land Improvements, Buildings, Equipment, and Collections

The following is a summary of land, land improvements, buildings, equipment, and collections at June 30, 2016 and June 30, 2015 (in thousands of dollars):

	2016	2015
Land and land improvements	$ 83,834	$ 78,767
Buildings and buildings' equipment	1,723,506	1,639,838
Equipment	105,620	103,799
Library and art collections	224,158	218,475
	2,137,118	2,040,879
Accumulated depreciation	(1,027,250)	(964,959)
Total	$ 1,109,868	$ 1,075,920

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, 2016 and June 30, 2015 is set forth below (in thousands of dollars):

	Fiscal years of maturity	2016	2015
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	67,050	67,525
Onondaga County Industrial Development Agency – Civic Facility Variable Rate Revenue Bonds:			
Series 2008B (c)	2010–2038	29,850	30,675
Trust for Cultural Resources of the County of Onondaga Revenue Bonds			
Series 2010A (d)	2030	75,525	75,525
Series 2010B (e)	2011–2020	30,930	31,100
Series 2011 (f)	2013–2037	43,170	44,360
Series 2013 (g)	2015–2039	61,655	63,075
Bank Loan – Syracuse University Hotel and Conference Center LLC (h)	2028	7,370	8,030
Total Principal Debt		440,025	444,765
Unamortized Premium – Series 2010B (e)		1,487	1,899
Unamortized Premium – Series 2011 (f)		1,716	1,937
Unamortized Premium – Series 2013 (g)		2,218	2,614
		445,446	451,215
Less Bond Issuance Costs:			
Issuance Costs – Series 1999A and 1999B (a)		408	440
Issuance Costs – Series 2005A and 2005B (b)		285	300
Issuance Costs – Series 2008A-1 and 2008A-2 (c)		1,128	1,182
Issuance Costs – Series 2008B (c)		573	601
Issuance Costs – Series 2010A (d)		692	745
Issuance Costs – Series 2010B (e)		167	222
Issuance Costs – Series 2011 (f)		631	663
Issuance Costs – Series 2013 (g)		762	807
Total Long-term Debt		$ 440,800	$ 446,255

(a) Periodic Auction Reset Securities (PARS) bonds have their interest rates set at weekly auctions. The interest rates at June 30, 2016 and June 30, 2015 were 0.65% and 0.14%, respectively, for both Series 1999A and 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, 2016 and June 30, 2015 were 0.40% and 0.04%, 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, 2016 and June 30, 2015 were 0.38% and 0.02%, respectively, for Series 2008A, and 0.41% 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, 2016 and June 30, 2015 were 0.40% and 0.06%, 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 terms of the 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 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 terms of the 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 at date of issuance 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 terms of the 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, 2016 and June 30, 2015. 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, 2016 and June 30, 2015, the interest rates were 0.46% and 0.58%, 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
2017	$	4,890
2018		5,065
2019		5,290
2020		35,660
2021		5,510
Thereafter		383,610
Total	$	440,025

For fiscal years 2016 and 2015, capitalized interest was $0.9 million and $2.3 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. 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, 2016 and June 30, 2015, there were requirements to collateralize the obligations under the interest rate swap agreements in the amounts of $62.4 million and $28.1 million, respectively.

As of June 30, 2016, the University paid two counterparties a weighted average fixed interest rate of 3.683% on a total notional amount of $296.9 million, which related to its variable interest rate revenue bonds. As of June 30, 2015, the University paid two counterparties a weighted average fixed interest rate of 3.685% on a total notional amount of $298.2 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 $7.4 million and $8.0 million as of June 30, 2016 and June 30, 2015, respectively, that related to its loan with JPMorgan Chase Bank, N.A.

At June 30, 2016 and June 30, 2015, the fair values of the University's interest rate swap agreements were ($107.2) million and ($78.0) million, respectively, and the Syracuse University Hotel and Conference Center LLC interest rate swap agreement fair values were ($1.5) million and ($1.3) million, respectively. The interest rate swap agreements are classified as Level 2 in the fair value hierarchy.

The changes of ($29.4) million and ($9.9) million in the fair values of the interest rate swap agreements were included in the changes in fair values of interest rate swap agreements, foreign currency forward contracts, and funds held or administered by others for the years ended June 30, 2016 and June 30, 2015, respectively. The net cash payments of $10.6 million and $11.1 million made under the interest rate swap agreements were included in interest expense during fiscal years 2016 and 2015, respectively.

(8) Capital Lease Obligation

The University leases a building under a capitalized lease that expires in December 2027. The gross leased asset was $3.4 million at both June 30, 2016 and June 30, 2015. At June 30, 2016 and June 30, 2015, accumulated depreciation in the consolidated statements of financial position was $0.9 million and $0.7 million, respectively, relating to this lease.

Future minimum capital lease payments as of June 30, 2016 are as follows (in thousands of dollars):

Fiscal year		Amount
2017	$	477
2018		484
2019		491
2020		491
2021		491
Thereafter		3,273
Total minimum lease payments		5,707
Less amount representing interest		2,659
Present value of minimum lease payments	$	3,048

(9) Foreign Currency Forward Contracts

At June 30, 2016 and June 30, 2015, the University had commitments for foreign currency forward contracts with notional values of $16.7 million and $10.5 million, respectively, to hedge foreign exchange rate exposure for its programs abroad. Fair values of foreign currency forward contract commitments of ($0.4) million and $0.1 million, were included in accounts payable and accrued liabilities, and other assets at June 30, 2016 and June 30, 2015, respectively. The foreign currency forward contracts are classified as Level 2 in the fair value hierarchy. For the years ended June 30, 2016 and June 30, 2015, the decrease of $0.5 million and decrease of $1.2 million, respectively, in fair values of foreign currency forward contract commitments were included in the changes in fair values of interest rate swap agreements, foreign currency forward contracts, and funds held or administered by others.

(10) Temporarily and Permanently Restricted Net Assets

At June 30, 2016 and June 30, 2015, temporarily and permanently restricted net assets were comprised as follows (in thousands of dollars):

	2016		2015	
	Temporarily restricted	Permanently restricted	Temporarily restricted	Permanently restricted
Pledges and matured bequests receivable	$ 39,026	$ 14,244	$ 45,057	$ 12,722
Other	3,939	4,565	2,319	5,348
Funding for facilities	9,204		2,618	
Funding for student loans		3,988		3,894
Life income, annuity, and similar funds	6,464	17,692	8,029	18,443
Endowment funds:				
Scholarships	67,889	190,912	70,587	180,746
Endowed chairs	37,408	93,043	38,835	85,212
Other	31,958	111,402	35,141	106,057
Total net assets	$ 195,888	$ 435,846	$ 202,586	$ 412,422

(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 Fund in fiscal years 2016 and 2015 were approximately $31.8 million and $31.6 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):

	2016	2015
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 41,989	$ 39,708
Service cost	2,387	2,137
Interest cost	1,786	1,415
Plan participants' contributions	763	643
Curtailment	6,811	
Actuarial loss	3,846	294
Benefits paid	(2,743)	(2,255)
Medicare Part D prescription drug federal subsidy	47	47
Benefit obligation at end of year	$ 54,886	$ 41,989

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

	2016	2015
Actuarial loss	$ (3,846)	$ (294)
Curtailment loss	(4,821)	
Amortization of:		
Actuarial gain	(183)	(681)
Prior service credits	(822)	(840)
Curtailment loss	(39)	
Total recognized in unrestricted net assets	$ (9,711)	$ (1,815)

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

	2016	2015
Service cost	$ 2,387	$ 2,137
Interest cost	1,786	1,415
Amortization of actuarial gain	(183)	(681)
Amortization of prior service credits	(822)	(840)
Curtailment credit	(39)	
Special termination benefit cost	1,990	
Net periodic postretirement benefit cost	$ 5,119	$ 2,031

For measurement purposes, annual rates of increase in the per capita cost of covered healthcare of 7.50% and 6.50% for pre-65 and post-65 retirees, respectively, were assumed as of June 30, 2016. An annual rate of increase in the per capita cost of covered prescription drug benefits of 10.50% was assumed as of June 30, 2016. The rates were assumed to decrease to 3.89% for both healthcare and prescription drug benefits by fiscal year 2075 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	$	766	$	(624)
Effect on postretirement benefit obligation	$	7,864	$	(6,490)

As of June 30, 2016 and June 30, 2015, the discount rates used in determining the benefit obligations were 3.42% and 4.31%, respectively, and the discount rates used in determining the net periodic postretirement benefit costs were 4.31% and 4.11%, respectively.

Contributions to the postretirement benefit plans, net of employee contributions and the Medicare subsidy, were $1.9 million in fiscal year 2016 and are estimated to be $3.0 million for fiscal year 2017.

The net benefits expected to be paid in each fiscal year from 2017 through 2021 are approximately $3.0 million and the net aggregate expected payments including years through fiscal year 2026 total approximately $27.1 million. The expected benefits are based on the assumptions used to measure the University's benefit obligation at June 30, 2016, 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 2017 are amortization of prior service credits of approximately $0.8 million and amortization of actuarial loss of approximately $0.1 million. The unamortized prior service credits and unamortized net actuarial loss were $1.2 million and $4.3 million, respectively, at June 30, 2016.

(12) Contingencies and Commitments

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

The University had letters of credit and a surety bond aggregating approximately $268.3 million at June 30, 2016 and $269.7 million at June 30, 2015 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 or surety bond.

At June 30, 2016, the University had approximately $31.9 million of construction commitments and $13.8 million of energy purchase commitments.

(13) Subsequent Events

The University evaluated subsequent events for potential recognition or disclosure through July 28, 2016, the date on which the consolidated financial statements were available to be issued.


WILLIAM B. HEROY
GEOLOGY LABORATORY

SYRACUSE UNIVERSITY