Financial Report
2017

Syracuse University

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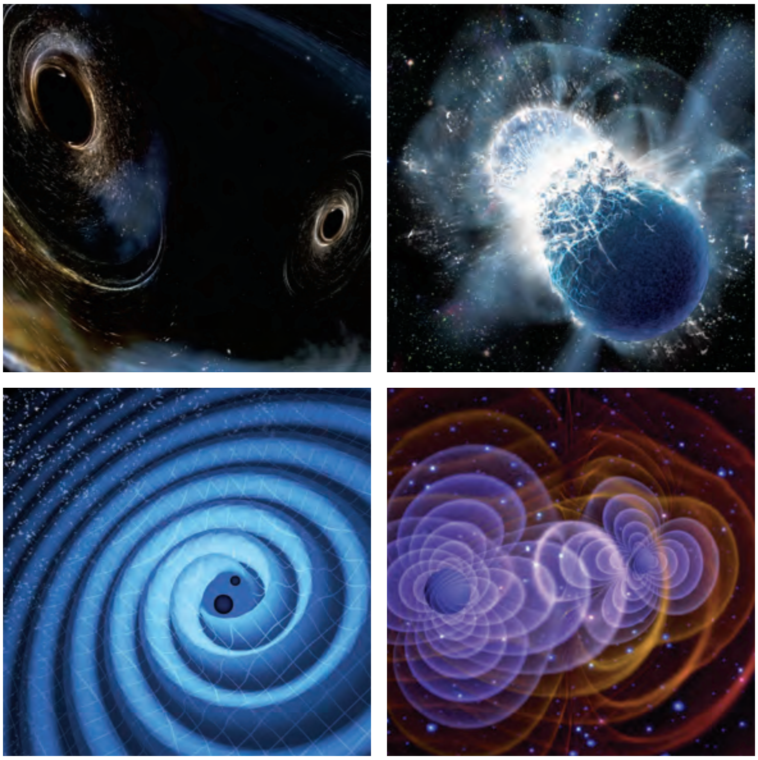


Entering a New Age of Discovery

Members of the Department of Physics in the College of Arts and Sciences are celebrating their role in the Nobel Prize-winning discovery of gravitational waves. Their work, involving faculty and students and staff, is one of the many research, creative, scholarly, discovery, and innovation activities that make Syracuse University an outstanding research university.

This discovery opens a whole new window through which humanity may probe the secrets of the universe. On a perhaps more mundane level, it also solves a mystery that puzzled scientists for more than 60 years: Where do gold, platinum, uranium, and other heavy elements, known as r-process elements, come from? They had long suspected the answer involved the collision of neutron stars, serving as a sort of "cosmic foundry." Data from this recent stellar observation proves they were right.

ABOVE *(clockwise from top left)* LIGO/Caltech/MIT/Sonoma State (Aurore Simonnet); NASA/Dana Berry, SkyWorks Digital, Inc.; Henze/NASA; LIGO/T. Pyle.

Facts and Figures

Type of university

Accredited by Middle States Commission of Higher Education, Syracuse University is a private, coeducational, urban research university.

Colleges and schools

Syracuse University through its 13 schools and colleges provides a choice of more than 200 majors, 100 minors and 200 advanced degree programs. The University was the first in the nation to offer a bachelor of the fine arts degree, and were founders of the nation's first iSchool. We are currently in process of construction of the National Veterans Resource Complex (NVRC). At present, our colleges and schools include:

- School of Architecture
- The College of Arts and Sciences
- School of Education
- The College of Engineering and Computer Science
- The David B. Falk College of Sport and Human Dynamics
- School of Information Studies
- College of Law
- The Martin J. Whitman School of Management
- Maxwell School of Citizenship and Public Affairs
- S.I. Newhouse School of Public Communications
- College of Visual and Performing Arts (VPA)
- Part-Time Study at Syracuse: University College (UC)
- Graduate School

Number of students

For the Fall 2016 semester, Syracuse University had a total enrollment of 21,970, of which 19,153 were full-time students and 2,817 were part-time students.

Maxwell Hall, column detail

Number of employees

Tenured and tenure-track faculty, 920; full-time non-tenure-track faculty, 245; part-time non-tenure-track faculty, 592. Full-time staff, 3,245; part-time staff, 279.

Alumni

Syracuse University has 258,716 alumni representing
all 50 states, the District of Columbia, and 171 countries and territories.

Athletics

Syracuse Orange are the athletic teams that represent Syracuse University, nicknamed Orange. The University is affiliated with NCAA Division I and conferences such as Atlantic Coast Conference, College Hockey America and Eastern Association of Rowing Colleges. As a team, Syracuse Athletics have won 28 National Championships and students individually have won a total of 47 national championships in sports consisting of boxing, field hockey,
football, basketball, lacrosse, crew, cross country, gymnastics,
indoor track & field and wrestling.

History

Syracuse University was officially founded when the Board of Trustees of Syracuse University signed the University charter and certificate of incorporation on March 24, 1870.

More information

For more information please contact:

Syracuse University
900 South Crouse Ave.
Syracuse, NY 13244
Phone: +1.315.443.1870

syracuse.edu

From the Chancellor

Kent Syverud, Chancellor and President

Syracuse University concluded another fiscal year on a strong upward trajectory that reflects impressive gains in fiscal health and sustainability. These gains are the result of careful resource management and strategic investments that align with institutional priorities and further advance our standing as an international, student-focused research university.

We continued moving forward on key elements of the University's Academic Strategic Plan and Campus Framework. The Academic Strategic Plan identifies those key priorities that we believe are crucial to our long-term success as a place of academic and research excellence. The Campus Framework ensures that we have the physical facilities and resources to support our academic priorities and our capacity to deliver an outstanding student experience.

Among other measures of progress, we have hired a new vice president for research and expanded the scope of that office to better support and advance collaborative research and scholarship across all disciplines. Research is a core component of our institutional mission, and it is also a powerful factor in our standing within an increasingly global higher education marketplace.

Along with this, we have significantly expanded our focus on internationalization—of our programs, our campus, and the overall student experience. We are building on a long legacy of strength in international studies in ways that will further distinguish us as a leader in global education and our graduates as successful global professionals, citizens, and leaders.

We have made very good progress. But there remains much to do. *Invest Syracuse*, a $100 million funding mechanism that will support the Academic Strategic Plan and other priorities, will serve as a catalyst for important change. Among other things, the initiative calls for recruiting 100 new faculty over the next five years.

These are challenging times for higher education. The institutions that go on to thrive are those that continue to evolve and distinguish themselves as places of relevance and excellence. That is what we are doing at Syracuse, and we are doing so in a fiscally responsible way, maximizing efficiencies and investing savings and new resources in our strategic priorities.

We have many strengths on which to build, including a deeply talented fiscal management team and faculty and staff at every level who believe in Syracuse University and in our mission. We ended this fiscal year on a very strong note, and I am confident that we will continue our path toward even greater fiscal strength in the coming year.

Kent Syverud

KENT SYVERUD

Crouse College, exterior detail

Statistical Highlights

Student Enrollments

	2013	2014	2015	2016	2017
Undergraduate	14,798	15,097	15,224	15,196	15,218
Graduate Professional	5,570	5,550	5,710	6,046	6,180
Law	661	620	558	547	572
Total Student Enrollments	**21,029**	**21,267**	**21,492**	**21,789**	**21,970**

Degrees Conferred

	2013	2014	2015	2016	2017
Baccalaureate	3,146	3,330	3,451	3,467	3,563
Masters (including MBA)	1,909	2,077	1,919	2,172	2,173
Juris Doctorate	205	212	191	165	149
Doctorate-Professional	7	4	7	3	10
Doctorate-Research	191	169	155	144	189
Certificates and Other	339	460	368	487	494
Total Degrees Conferred	**5,797**	**6,252**	**6,091**	**6,438**	**6,578**

Financial Report

From the Senior Vice President and Chief Financial Officer

AMIR RAHNAMAY-AZAR

Fiscal Year 2017 Highlights

It is with great enthusiasm that I present, for the first time, the financial results for Syracuse University. In my short time at the University, I have witnessed a great deal of excitement and energy on campus surrounding many activities and initiatives. This is especially true as the University navigates through significant change in an effort to position itself for bold and balanced future advancements. I look forward to being a part of these great initiatives that will further the University's core mission of education and research. Some of these initiatives include advancing academic excellence and the student experience through Invest Syracuse, constructing the National Veterans Resource Complex (NVRC) as part of the Campus Framework, as well as other student-focused initiatives.

Invest Syracuse—Advancing Academic Excellence and the Student Experience

Invest Syracuse is a unique program focused on redefining the student experience, advancing discovery and innovation, and expanding opportunity to students. Through this initiative, the University will make significant investments in academic programs while reinforcing the University's unwavering commitment to both the student experience and advancing research. Focus will include expanding student opportunities through scholarships and providing enriched, redefined student experiences. Additionally, significant efforts will support the expansion of the University's global research portfolio. These activities will promote the success in academic quality and diversity of students.

NVRC—Transformative, Innovative, Bold

The NVRC is a first-of-its-kind facility in the United States dedicated to advancing academic research, actionable programs, and community-connected innovation in service to the nation's veterans and military-connected families. The NVRC is designed to accommodate collaboration with community organizations as well as local and state government partners to facilitate veterans' programming and events. The University began the initial phase of the NVRC in fiscal year 2017. This state-of-the-art building is expected to be completed by the spring of 2020. This project is one of many projects that will be realized as part of the Campus Framework.

The financial groundwork to support and foster these important initiatives begins with achieving sustainable financial results and fiscal year 2017 demonstrated a continued upward trend. Significant highlights of the year are described in the following pages.

Maxwell Hall and Crouse College

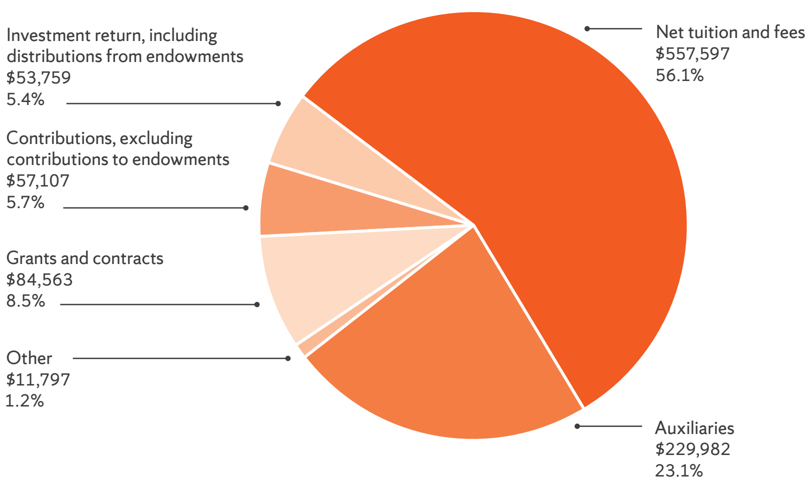
Financial Overview

Fiscal year 2017 financial results were among the best the University has attained. These financial results afford the University important opportunities such as Invest Syracuse and the NVRC project. The University ended fiscal year 2017 with an operating surplus of $60.2 million, compared to an operating surplus of $38.8 million in fiscal year 2016. Net assets increased by $197.6 million to $2.0 billion at June 30, 2017, reflecting the results of both operations and returns generated by the endowment. These positive results are an indicator of the University's financial health and path to sustainability.

Operating Revenues

Total operating revenues increased $50.8 million to $994.8 million. Net tuition and fees and auxiliaries represent the primary sources of revenues and totaled approximately 79.2% of operating revenues, of which auxiliaries accounted for approximately 23.1%. Driving these amounts annually is student enrollment, which totaled 21,970 for the year, consisting of 15,218 undergraduate students, 6,180 graduate students, and 572 students enrolled at the College of Law. Enrollment growth and increases in tuition, fees and room and board charges were key components to an overall 5.4% increase in operating revenues. The remaining components of revenues, including contributions and grants and contracts, continue to be a focus for future growth. The growth of contributions is expected to yield further resources to advance Invest Syracuse.

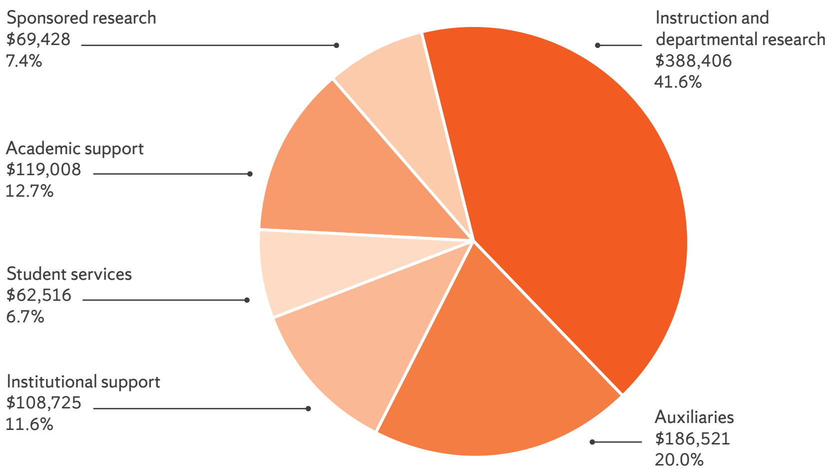
Fiscal 2017 Operating Revenues *(thousands of dollars)*



Operating Expenses

Total operating expenses increased $29.5 million to $934.6 million. Instruction and departmental research continued to represent the majority of the University's expenses and have grown to 41.6% up from 39.8% in fiscal year 2016. Overall, expenses increased by 3.3%, while revenues increased by 5.4%, providing a signal of strengthened sustainability from University operations. The University is committed to continuing this pattern of managing resources so that operating revenues cover or exceed operating expenses. Continued cost containment efforts are underway and are expected to yield further resources to advance Invest Syracuse.

Fiscal 2017 Operating Expenses *(thousands of dollars)*

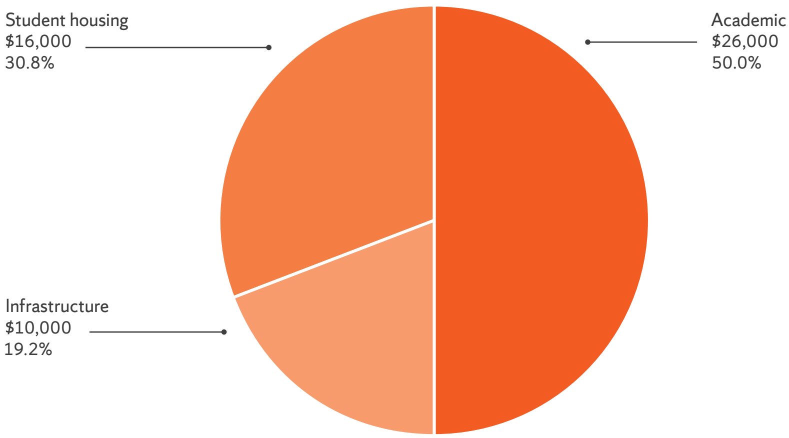


Capital Spending

Proper infrastructure is key to the success of academic programs. The University's primary focus for capital spending continues to be in support of the student experience, both in and outside of the classroom. Notable capital projects during fiscal year 2017 included:

- accessibility renovations to Schine Student Center;
- renovations for students living at Day Hall, DellPlain Hall, Haven Hall, and Watson Hall;
- renovations at the Center for Science and Technology, Crouse College, Link Hall, Hendricks Chapel, Hall of Languages, Maxwell, Carnegie Library, Sims Hall, and the Women's Building.

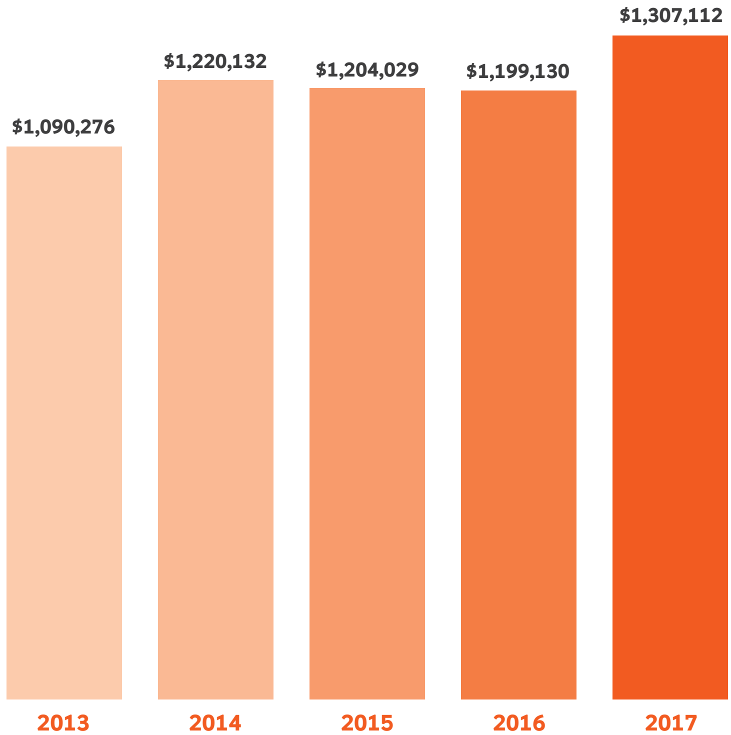
Fiscal Year 2017 Capital Spending *(thousands of dollars)*



Investments

The University's investment portfolio, which represents 45.8% of total assets, grew to $1.3 billion in fiscal year 2017, an increase of $108.0 million from the previous fiscal year. The endowment portfolio is the largest component of investments and was valued at $1.2 billion at the end of fiscal year 2017. The remaining balance of investments is comprised primarily of security gifts and operating investments. This grew due to robust annual returns of 12% and through the generous philanthropy of donors.

Five Year Comparison of Total Investments *(thousands of dollars)*



As we look ahead, we recognize that the external financial environment presents challenges. The University understands that realizing its objectives will require continued prudent financial oversight. We are confident that the University is well positioned to carry out important initiatives in the coming years. 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. The collaborative support and service efforts of the division are important factors supporting 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 Director Gwenn B. Judge; Senior Associate Budget Director Cynthia L. Carnahan; Treasurer David J. Smith; Associate Treasurer Scott C. Kemp; and Audit and Management Advisory Services Director Stephen G. Colicci.

AMIR RAHNAMAY-AZAR
Senior Vice President and Chief Financial Officer

Statement of Responsibility

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.

KENT SYVERUD
Chancellor and President

AMIR RAHNAMAY-AZAR
Senior Vice President and Chief Financial Officer

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.

Maxwell Hall

Consolidated Financial Statements

Syracuse University

Consolidated Financial Statements

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

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 and its subsidiaries (the University), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, 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 audits 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, 2017 and 2016, 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

August 10, 2017

Consolidated Statements of Financial Position

June 30, 2017 and 2016 (Thousands of dollars)

Assets	**2017**	**2016**
Cash and cash equivalents	$224,562	$135,157
Interest rate swap agreements collateral	28,700	62,400
Receivables, net	140,243	133,535
Other assets	31,846	33,579
Investments	1,307,112	1,199,130
Funds held by bond trustee		11,780
Land, land improvements, buildings, equipment, and collections, net	1,119,870	1,109,868
Total assets	$2,852,333	$2,685,449

Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$142,774	$146,997
Deposits and deferred revenues	74,207	61,681
Asset retirement obligations	21,506	21,774
Accrued postretirement benefit obligation	54,171	54,886
Capital lease obligation	2,933	3,048
Interest rate swap agreements	76,256	108,740
Long-term debt	435,228	440,800
Refundable government student loan funds	27,669	27,559
Total liabilities	834,744	865,485
Net assets:		
Unrestricted	1,316,335	1,188,230
Temporarily restricted	241,898	195,888
Permanently restricted	459,356	435,846
Total net assets	2,017,589	1,819,964
Total liabilities and net assets	$2,852,333	$2,685,449

See accompanying notes to consolidated financial statements.

Consolidated Statements of Activities

Year ended June 30, 2017

With comparative totals for the year ended June 30, 2016 (Thousands of dollars)

	Unrestricted	Temporarily restricted	Permanently restricted	2017 total	2016 total
Revenues:					
Tuition and fees	$876,762			$876,762	$830,285
Less financial aid	319,165			319,165	307,663
Net tuition and fees	557,597			557,597	522,622
Contributions, excluding contributions to endowments	33,933	$23,174		57,107	58,082
Grants and contracts	84,563			84,563	79,752
Investment return, including distributions from endowments	53,759			53,759	51,389
Auxiliaries, net of financial aid of $6.0 million in 2017 and $6.8 million in 2016	229,982			229,982	219,100
Other	11,797			11,797	13,040
Net assets released from restrictions	10,623	(10,623)			
Total revenues	982,254	12,551		994,805	943,985
Expenses:					
Instruction and departmental research	388,406			388,406	360,292
Sponsored research and other programs	69,428			69,428	65,978
Academic support	119,008			119,008	122,830
Student services	62,516			62,516	64,394
Institutional support	108,725			108,725	105,975
Auxiliaries	186,521			186,521	185,679
Total expenses	934,604			934,604	905,148
Increase in net assets from revenues and expenses	47,650	12,551		60,201	38,837
Other changes in net assets:					
Contributions to endowments			$20,612	20,612	24,890
Endowments return, excluding distributions from endowments	45,469	33,323	3,045	81,837	(37,912)
Changes in fair values of interest rate swap agreements, foreign currency forward contracts, and funds held or administered by others	33,551	306	1,107	34,964	(30,965)
Postretirement benefit obligation changes other than net periodic cost	2,040			2,040	(9,711)
Other	(605)	(170)	(1,254)	(2,029)	(3,367)
Total other changes in net assets	80,455	33,459	23,510	137,424	(57,065)
Increase (decrease) in net assets	128,105	46,010	23,510	197,625	(18,228)
Net assets at beginning of year	1,188,230	195,888	435,846	1,819,964	1,838,192
Net assets at end of year	$1,316,335	$241,898	$459,356	$2,017,589	$1,819,964

See accompanying notes to consolidated financial statements.

Consolidated Statement of Activities

Year ended June 30, 2016 (Thousands of dollars)

	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**2016 total**
Revenues:				
Tuition and fees	$830,285			$830,285
Less financial aid	307,663			307,663
Net tuition and fees	522,622			522,622
Contributions, excluding contributions to endowments	43,070	$15,012		58,082
Grants and contracts	79,752			79,752
Investment return, including distributions from endowments	51,579	(190)		51,389
Auxiliaries, net of financial aid of $6.8 million	219,100			219,100
Other	13,040			13,040
Net assets released from restrictions	13,533	(13,533)		
Total revenues	942,696	1,289		943,985
Expenses:				
Instruction and departmental research	360,292			360,292
Sponsored research and other programs	65,978			65,978
Academic support	122,830			122,830
Student services	64,394			64,394
Institutional support	105,975			105,975
Auxiliaries	185,679			185,679
Total expenses	905,148			905,148
Increase in net assets from revenues and expenses	37,548	1,289		38,837
Other changes in net assets:				
Contributions to endowments			$24,890	24,890
Endowments return, excluding distributions from endowments	(31,171)	(7,237)	496	(37,912)
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)
Postretirement benefit obligation changes other than net periodic cost	(9,711)			(9,711)
Other	(2,674)	(119)	(574)	(3,367)
Total other changes in net assets	(72,502)	(7,987)	23,424	(57,065)
(Decrease) increase in net assets	(34,954)	(6,698)	23,424	(18,228)
Net assets at beginning of year	1,223,184	202,586	412,422	1,838,192
Net assets at end of year	$1,188,230	$195,888	$435,846	$1,819,964

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended June 30, 2017 and 2016 (Thousands of dollars)

	2017	2016
Cash flows from operating activities:		
Change in net assets	$197,625	$(18,228)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Postretirement benefit obligation changes other than net periodic cost	(2,040)	9,711
Depreciation and amortization	73,682	71,724
Changes in fair value of investments and financial instruments	(155,062)	33,763
Gifts of property and equipment	(2,643)	(3,208)
Contributions restricted for investment and physical facilities	(27,277)	(29,311)
Changes in operating assets and liabilities:		
Receivables, net	(6,732)	2,999
Other assets	3,001	(2,235)
Accounts payable and accrued liabilities	260	3,872
Deposits and deferred revenues	12,526	(2,783)
Asset retirement obligations	(268)	(3,074)
Accrued postretirement benefit obligation	1,325	3,186
Net cash provided by operating activities	94,397	66,416
Cash flows from investing activities:		
Loans made to students	(5,426)	(5,858)
Loans paid by students	5,450	4,994
Purchases of investments	(270,977)	(304,442)
Sales and maturities of investments	283,865	305,030
Purchases of land, land improvements, buildings, equipment, and collections	(85,766)	(99,887)
Net cash used in investing activities	(72,854)	(100,163)
Cash flows from financing activities:		
Contributions restricted for investment and physical facilities	27,277	29,311
Payments of long-term debt	(4,890)	(4,740)
Payments of capital lease obligation	(115)	(103)
Changes in interest rate swap agreements collateral	33,700	(34,300)
Change in funds held by bond trustee, net of purchases and sales by bond trustee	11,780	37,501
Change in refundable government student loan funds	110	485
Net cash provided by financing activities	67,862	28,154
Net increase (decrease) in cash and cash equivalents	89,405	(5,593)
Cash and cash equivalents at beginning of year	135,157	140,750
Cash and cash equivalents at end of year	$224,562	$135,157
Supplemental disclosure:		
Interest paid	$18,886	$18,534
Change in accounts payable for land, land improvements, buildings, equipment, and collections	$(4,043)	$3,292

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

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 22,000 students, including approximately 15,200 full-time undergraduate and law students, approximately 4,000 full-time master's and doctoral students, and approximately 2,800 part-time students. Geographically, the undergraduate student body represents 48 states and 89 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 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, Syracuse University Alumni Association, Inc. and Syracuse University Hotel and Conference Center LLC.

b. Reclassifications

Certain reclassifications have been made to the 2016 information to conform to the 2017 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.

Notes to Consolidated Financial Statements

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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 2017 and 2016 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, are wholly owned by the University and are reported in the University's income tax filings. Syracuse University Alumni Association, Inc. is a tax-exempt organization, of which the University is the sole member that files its own tax returns. Drumlins, Inc. is a taxable subsidiary of the University and files 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, 2017 and June 30, 2016 (in thousands of dollars):

	2017	2016
Accounts receivable	$81,537	$83,111
Pledges receivable, net of present value discount	70,241	61,776
Matured bequests receivable	1,492	1,477
	153,270	146,364
Allowance for doubtful accounts	(13,027)	(12,829)
Total	$140,243	$133,535

Accounts receivable include student loans receivable of $36.0 million, net of allowances for doubtful accounts of approximately $1.0 million at both June 30, 2017 and June 30, 2016.

Unconditional pledges and matured bequests at June 30, 2017 and June 30, 2016 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):

	2017	2016
Less than one year	$27,076	$25,688
One year to five years	31,045	25,270
More than five years	25,080	23,715
	83,201	74,673
Allowance for doubtful accounts	(10,213)	(9,983)
Present value discount	(11,468)	(11,420)
Total	$61,520	$53,270

The discount rates used to present value the pledges range from 0.72% to 6.00% at June 30, 2017 and June 30, 2016.

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 $13.0 million and $10.8 million as of June 30, 2017 and June 30, 2016, respectively.

Notes to Consolidated Financial Statements

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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, 2017 and June 30, 2016, the University had no specific plans or intentions to sell investments at amounts different than NAV.

Notes to Consolidated Financial Statements

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The University's investments at June 30, 2017 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	$248,676	$3,984	$252,660
International equity	Daily	143,030	1,839	144,869
Fixed income	Daily	109,809	19,063	128,872
Real asset	Daily	49,973		49,973
Total marketable securities		551,488	24,886	576,374
Commingled funds:				
International equity	Monthly	56,157		56,157
Fixed income	Daily to monthly	60,521		60,521
Total commingled funds		116,678		116,678
Funds held or administered by others	Not applicable	1,533	25,107	26,640
Subtotal		669,699	49,993	719,692
Investments measured at net asset value:				
Commingled fund:				
International equity	Monthly			18,973
Hedge funds:				
Long/short	Monthly to illiquid			73,861
Global	Quarterly to illiquid			76,643
Multi-strategy	Quarterly to illiquid			79,351
Other	Monthly to annually			94,992
Private partnerships:				
Buyout	Illiquid			117,297
Venture capital	Illiquid			71,203
Debt related	Illiquid			17,363
Real asset	Illiquid			37,737
Subtotal				587,420
Total		$669,699	$49,993	$1,307,112

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.

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June 30, 2017 and 2016

The University's investments at June 30, 2016 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	$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
Commingled funds:				
International equity	Monthly	48,839		48,839
Fixed income	Daily to monthly	118,732		118,732
Total commingled funds		167,571		167,571
Funds held or administered by others	Not applicable	1,297	22,859	24,156
Subtotal		654,606	48,033	702,639
Investments measured at net asset value:				
Commingled fund:				
International equity	Monthly			15,450
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				496,491
Total		$654,606	$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.

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Accounting Standards Update 2015-10, *Technical Corrections and Improvements,* clarified one aspect of the definition of readily determinable fair value (RDFV) thereby affecting the measurement of and disclosure about certain equity investments. During 2017, based on this technical correction, the University re-evaluated its investments historically measured using NAV as a practical expedient in structures with characteristics similar to a mutual fund as to whether they have a RDFV. Based on that re-evaluation, NAV disclosures have been amended, and certain investments aggregating $167.6 million previously identified as using NAV as a practical expedient as of June 30, 2016 and excluded from the fair value hierarchy were determined to have a RDFV and have been included as Level 1 investments at that date.

There were no transfers between Level 1 and Level 2 for the fiscal years ended June 30, 2017 or June 30, 2016.

The private partnerships have initial terms of 10 years with extensions of one to four years and have an average remaining expected life of 3.5 years and 2.7 years as of June 30, 2017 and June 30, 2016, respectively. At June 30, 2017, the University's outstanding commitments to private partnerships totaled $135.4 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. Restrictions on hedge fund investments totaling $8,381 expire in fiscal year 2018.

The following table summarizes the components of investment return in the consolidated statements of activities for the years ended June 30, 2017 and June 30, 2016 (in thousands of dollars):

	2017	**2016**
Interest and dividends	$15,644	$16,773
Realized gains, net	58,136	21,992
Unrealized gains (losses), net	61,816	(25,288)
Total investment return	$135,596	$13,477

Netted in investment return were investment management fees of $3.2 million and $2.9 million in fiscal years 2017 and 2016, respectively.

Notes to Consolidated Financial Statements

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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, 2017, the fair values of 227 endowment funds were less than historical gift amounts of $78.8 million by a total of approximately $6.9 million, including 226 endowment funds with original fair values of $78.8 million and an underwater amount of approximately $6.9 million for which the donors permit spending when the funds are underwater. At June 30, 2016, the fair values 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.

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 2017 and 2016 was 3.84%. In addition, other distributions approved by the IEC of $6.5 million and $10.4 million were made in fiscal years 2017 and 2016, 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

Notes to Consolidated Financial Statements

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- 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, 2017 and June 30, 2016, 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):

2017

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted	$(6,896)	$170,526	$415,982	$579,612
Quasi (board designated)	652,738			652,738
Total	$645,842	$170,526	$415,982	$1,232,350

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

Changes in net assets associated with endowment funds for the fiscal years ended June 30, 2017 and June 30, 2016 were (in thousands of dollars):

2017

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets at June 30, 2016	$598,004	$137,255	$395,357	$1,130,616
Investment return	73,972	53,521	3,045	130,538
Contributions		2	17,509	17,511
Distributions	(28,502)	(20,198)		(48,700)
Board designated and donor required transfers	2,368	(54)	71	2,385
Net assets at June 30, 2017	$645,842	$170,526	$415,982	$1,232,350

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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

6. Land, Land Improvements, Buildings, Equipment, and Collections

The following is a summary of land, land improvements, buildings, equipment, and collections at June 30, 2017 and June 30, 2016 (in thousands of dollars):

	2017	2016
Land and land improvements	$94,094	$83,834
Buildings and buildings' equipment	1,782,024	1,723,506
Equipment	110,715	105,620
Library and art collections	228,980	224,158
	2,215,813	2,137,118
Accumulated depreciation	(1,095,943)	(1,027,250)
Total	$1,119,870	$1,109,868

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, 2017 and June 30, 2016 is set forth below (in thousands of dollars):

	Fiscal years of maturity	2017	2016
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	66,550	67,050
Onondaga County Industrial Development Agency-Civic Facility Variable Rate Revenue Bonds:			
Series 2008B (c)	2010-2038	29,000	29,850
Trust for Cultural Resources of the County of Onondaga Revenue Bonds:			
Series 2010A (d)	2030	75,525	75,525
Series 2010B (e)	2011-2020	30,755	30,930
Series 2011 (f)	2013-2037	41,935	43,170
Series 2013 (g)	2015-2039	60,185	61,655
Bank Loan - Syracuse University Hotel and Conference Center LLC (h)	2028	6,710	7,370
Total principal debt		435,135	440,025
Unamortized premium-Series 2010B (e)		1,066	1,487
Unamortized premium-Series 2011 (f)		1,509	1,716
Unamortized premium-Series 2013 (g)		1,853	2,218
		439,563	445,446
Less bond issuance costs:			
Issuance costs-Series 1999A and 1999B (a)		377	408
Issuance costs-Series 2005A and 2005B (b)		270	285
Issuance costs-Series 2008A-1 and 2008A-2 (c)		1,075	1,128
Issuance costs-Series 2008B (c)		546	573
Issuance costs-Series 2010A (d)		639	692
Issuance costs-Series 2010B (e)		111	167
Issuance costs-Series 2011 (f)		600	631
Issuance costs-Series 2013 (g)		717	762
Total long-term debt		$435,228	$440,800

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(a.) Periodic Auction Reset Securities (PARS) bonds have their interest rates set at weekly auctions. The interest rates at June 30, 2017 and June 30, 2016 were 1.62% and 0.65%, respectively for Series 1999A and 1.64% and 0.65%, respectively for Series 1999B. The University makes weekly payments of the interest to the bondholders through the trustee. The University may make prepayments of principal, and is required to pay any remaining principal balance on December 1, 2029, the maturity date of the bonds.

(b.) Variable rate revenue bonds have their interest rates set weekly. The interest rates at June 30, 2017 and June 30, 2016 were 0.89% and 0.40%, 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, 2017 and June 30, 2016 were 0.91% and 0.38%, respectively, for Series 2008A, and 0.89% and 0.41%, 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, 2017 and June 30, 2016 were 0.90% and 0.40%, 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, 2017 and June 30, 2016. 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, 2017 and June 30, 2016, the interest rates were 1.45% and 0.46%, 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**
2018	$5,065
2019	5,290
2020	35,660
2021	5,510
2022	5,725
Thereafter	377,885
Total	$435,135

For fiscal years 2017 and 2016, capitalized interest was $1.1 million and $0.9 million, respectively.

The University has 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 University 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, 2017 and June 30, 2016, there were requirements to collateralize the obligations under the interest rate swap agreements in the amounts of $28.7 million and $62.4 million, respectively.

As of June 30, 2017, the University paid two counterparties a weighted average fixed interest rate of 3.682% on a total notional amount of $295.6 million, which related to its variable interest rate revenue bonds. 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. The University paid one counterparty a fixed interest rate of 5.303% on notional amounts of $6.7 million and $7.4 million as of June 30, 2017 and June 30, 2016, respectively, that related to its loan with JPMorgan Chase Bank, N.A.

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At June 30, 2017 and June 30, 2016, the fair values of the University's interest rate swap agreements were $(76.3) million and $(108.7) million, respectively. The interest rate swap agreements are classified in Level 2 of the fair value hierarchy.

The changes of $32.4 million and $(29.4) 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, 2017 and June 30, 2016, respectively. The net cash payments of $9.7 million and $10.6 million made under the interest rate swap agreements were included in interest expense during fiscal years 2017 and 2016, 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, 2017 and June 30, 2016. At June 30, 2017 and June 30, 2016, accumulated depreciation in the consolidated statements of financial position was $1.1 million and $0.9 million, respectively, relating to this lease.

Future minimum capital lease payments as of June 30, 2017 are as follows (in thousands of dollars):

Fiscal year	Amount
2018	$484
2019	491
2020	491
2021	491
2022	491
Thereafter	2,781
Total minimum lease payments	5,229
Less amount representing interest	2,296
Present value of minimum lease payments	$2,933

9. Foreign Currency Forward Contracts

At June 30, 2017 and June 30, 2016, the University had commitments for foreign currency forward contracts with notional values of $19.7 million and $16.7 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 ($0.4) million, were included in other assets and accounts payable and accrued liabilities, at June 30, 2017 and June 30, 2016, respectively. The foreign currency forward contracts are classified as Level 2 in the fair value hierarchy. For the years ended June 30, 2017 and June 30, 2016, the increase of $1.7 million and decrease of $0.5 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, 2017 and June 30, 2016, temporarily and permanently restricted net assets were comprised as follows (in thousands of dollars):

	2017		2016	
	Temporarily restricted	**Permanently restricted**	**Temporarily restricted**	**Permanently restricted**
Pledges and matured bequests receivable	$47,690	$13,830	$39,026	$14,244
Other	5,016	5,852	3,939	4,565
Funding for facilities	11,114		9,204	
Funding for student loans		4,085		3,988
Life income, annuity, and similar funds	7,552	19,607	6,464	17,692
Endowment funds:				
Scholarships	81,761	200,717	67,889	190,912
Endowed chairs	45,543	99,538	37,408	93,043
Other	43,222	115,727	31,958	111,402
Total net assets	$241,898	$459,356	$195,888	$435,846

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June 30, 2017 and 2016

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 2017 and 2016 were approximately $32.3 million and $31.8 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):

	2017	2016
Change in benefit obligation:		
Benefit obligation at beginning of year	$54,886	$41,989
Service cost	2,974	2,387
Interest cost	1,868	1,786
Plan participants' contributions	1,011	763
Curtailment		6,811
Actuarial (gain) loss	(2,736)	3,846
Benefits paid	(3,863)	(2,743)
Medicare Part D prescription drug federal subsidy	31	47
Benefit obligation at end of year	$54,171	$54,886

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):

	2017	2016
Actuarial gain (loss)	$2,736	$(3,846)
Curtailment loss		(4,821)
Amortization of:		
Actuarial gain (loss)	107	(183)
Prior service credits	(803)	(822)
Curtailment loss		(39)
Total recognized in unrestricted net assets	$2,040	$(9,711)

Notes to Consolidated Financial Statements

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

	2017	2016
Service cost	$2,974	$2,387
Interest cost	1,868	1,786
Amortization of actuarial (gain) loss	107	(183)
Amortization of prior service credits	(803)	(822)
Curtailment credit		(39)
Special termination benefit cost		1,990
Net periodic postretirement benefit cost	$4,146	$5,119

For measurement purposes, annual rates of increase in the per capita cost of covered healthcare of 7.25% and 6.25% for pre-65 and post-65 retirees, respectively, were assumed as of June 30, 2017. An annual rate of increase in the per capita cost of covered prescription drug benefits of 10.50% was assumed as of June 30, 2017. 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	$925	$(727)
Effect on postretirement benefit obligation	7,841	(6,346)

As of June 30, 2017 and June 30, 2016, the discount rates used in determining the benefit obligations were 3.74% and 3.42%, respectively, and the discount rates used in determining the net periodic postretirement benefit costs were 3.42% and 4.31%, respectively.

Contributions to the postretirement benefit plans, net of employee contributions and the Medicare subsidy, were $2.8 million in fiscal year 2017 and are estimated to be $2.8 million for fiscal year 2018.

The net benefits expected to be paid in each fiscal year from 2018 through 2022 are approximately $2.5 million and the net aggregate expected payments including years through fiscal year 2027 total approximately $27.0 million. The expected benefits are based on the assumptions used to measure the University's benefit obligation at June 30, 2017, 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 gain of approximately $0.1 million. The unamortized prior service credits and unamortized net actuarial loss were $0.4 million and $1.4 million, respectively, at June 30, 2017.

Notes to Consolidated Financial Statements

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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 $267.0 million at June 30, 2017 and $268.3 million at June 30, 2016 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, 2017, the University had approximately $29.7 million of construction commitments and $16.3 million of energy purchase commitments.

13. Subsequent Events

The University evaluated subsequent events for potential recognition or disclosure through August 10, 2017, the date on which the consolidated financial statements were available to be issued.

Vision and Mission of Syracuse University

Vision

Syracuse University aspires to be a pre-eminent and inclusive student-focused research university, preparing engaged citizens, scholars, and leaders for participation in a changing global society.

Mission

As a university with the capacity to attract and engage the best scholars from around the world, yet small enough to support a personalized and academically rigorous student experience, Syracuse University faculty and staff support student success by:

- Encouraging global study, experiential learning, interdisciplinary scholarship, creativity, and entrepreneurial endeavors
- Balancing professional studies with an intensive liberal arts education
- Fostering a richly diverse and inclusive community of learning and opportunity
- Promoting a culture of innovation and discovery
- Supporting faculty, staff, and student collaboration in creative activity and research that address emerging opportunities and societal needs
- Maintaining pride in our location and history as a place of access, engagement, innovation, and impact

Effective April 2015

Syracuse University Board of Trustees

2017-2018

Syracuse University