2019 Financial Report


Syracuse University
NATIONAL VETERANS RESOURCE CENTER


BUILDING
THE STUDENT
EXPERIENCE

Facts and Figures

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

Type of university

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

Colleges and schools

Through its 13 schools and colleges, Syracuse University 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 Fine Arts degree and founded the nation's first iSchool. At present, its 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 2018 semester, Syracuse University had a total enrollment of 22,803, of which 19,184 were full-time students and 3,619 were part-time students.

Number of employees

5,577 Total employees

927 Tenure-stream faculty

882 Non-tenure-stream faculty

Alumni

Syracuse University has over 250,000 alumni representing all 50 states, the District of Columbia, and more than 170 countries and territories.

Athletics

The Syracuse Orange are the athletic teams that represent Syracuse University. The University is affiliated with NCAA Division I and conferences such as the Atlantic Coast Conference, College Hockey America, and Eastern Association of Rowing Colleges. Syracuse University has won 30 team national championships, and student-athletes in individual sports have won 49 national titles. In 2018-19, 62 of the University's student-athletes were named to All-Academic conference teams.

More information

To request additional copies of this report, please contact:

Syracuse University
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900 South Crouse Ave.
Syracuse, NY 13244

+1.315.443.3037

bfas.syr.edu

The National Veterans Resource Center (NVRC) at the Daniel and Gayle D'Aniello Building represents an unprecedented commitment by Syracuse University to cultivate and lead innovative academic, government, and community collaborations positioned to empower those who have served in defense of the nation. The building is just one of the capital projects that progressed in fiscal year 2019.

From the Chancellor

Kent Syverud, Chancellor and President

This year Syracuse University celebrates its sesquicentennial. This milestone has inspired reflection and rededication to our priorities. This financial report reflects hard work and tough decisions, which are creating very positive momentum. Our fiscal health and sustainability position us to rise into the top tier of pre-eminent, globally relevant and inclusive institutions.

Because of this work, Syracuse University has made key faculty hires and developed a roadmap for continued faculty recruitment and retention that will shape the institution's future. We expanded support for undergraduates to conduct mentored research. We have invested in areas where we can be distinctive by opening interdisciplinary institutes dedicated to autonomous systems and sustainable infrastructure and complex biological systems. We also completed construction of an integrated health and wellness facility that will redefine the student experience: the Barnes Center at The Arch. Our thoughtful spending throughout fiscal year 2019 has allowed this institution to expand access to military-connected students in online and post-traditional education, commit nearly $280 million to student financial aid, and enhance interdisciplinary collaborations that grow the research enterprise and enhance scholarship at Syracuse University.

This is an unprecedented investment in our faculty, research capacity, and our students that will define Syracuse University's reputation beyond our lifetimes.

This spring, we will open the National Veterans Resource Center, a visible commitment to continuing our legacy of serving our country's service members and their families. We will continue the first phase of the Stadium remodel, as preliminary site work for the project was completed over the summer.

Syracuse University's investments in people, academic programs, and experiences are already paying dividends for our campus community. We will continue to innovate and improve our standing among the best schools in the country.

Thank you to the fiscal management team, faculty, and staff at every level who are helping make the vision in the Academic Strategic Plan a reality. I look forward to sustaining our positive momentum this fiscal year and ensuring Syracuse University's global relevance in higher education for the next 150 years.

KENT SYVERUD

Statistical Highlights

Student Enrollments

	2015	2016	2017	2018	2019
Undergraduate	15,224	15,196	15,218	15,252	15,226
Graduate	5,710	6,046	6,180	6,633	6,985
Law	558	547	572	599	592
Total Student Enrollments	**21,492**	**21,789**	**21,970**	**22,484**	**22,803**

Degrees Conferred

	2015	2016	2017	2018	2019
Baccalaureate	3,451	3,467	3,563	3,377	3,407
Master's (including MBA)	1,919	2,172	2,173	2,300	2,572
Juris Doctorate	191	165	149	175	179
Doctorate—Professional	7	3	10	2	10
Doctorate—Research	155	144	189	160	162
Certificates and Other	368	487	494	522	494
Total Degrees Conferred	**6,091**	**6,438**	**6,578**	**6,536**	**6,824**

Syracuse University students and faculty are working across disciplines on path-breaking biotechnology research. This includes medical devices that aren't limited by the possibility of infection. It includes new treatments that specifically target disease, so that broad-spectrum antibiotics and chemotherapy are a thing of the past. And it includes heart valves or replacement joints that can dynamically adapt their structure to a body's needs. Syracuse University is investing in research where we have the potential to be world leaders because our researchers are thinking across traditional boundaries and from different perspectives.

Financial Report

From the Senior Vice President for Business, Finance and Administrative Services and Chief Financial Officer

AMIR RAHNAMAY-AZAR

At Syracuse University, undergraduate research is part of the student experience. In fiscal year 2019, the Syracuse Office of Undergraduate Research and Creative Engagement (the SOURCE) was launched, and 126 undergraduate students were funded in its first year.

Fiscal Year 2019 Highlights

I am pleased to present Syracuse University's financial report for fiscal year 2019. This past fiscal year was an extraordinary one for the University. Progress on several major capital projects, earning R1 private research institution status, advances in academic programming, and again receiving recognition as one of the best universities in the United States were among the highlights. These accomplishments are a result of ongoing collaboration across campus.

Campus cooperation took many forms, including a rigorous focus on the University's physical presence. Three years ago, the Campus Framework laid the road map for a revived campus environment, and the work in fiscal year 2019 continued to actualize its lofty goals. The Barnes Center at The Arch and the National Veterans Resource Center at the Daniel and Gayle D'Aniello Building neared completion, and work on a new Stadium experience and the effort to transform the Schine Student Center began, alongside ongoing capital improvements across campus. These projects are critical to the transformation of the physical space of the campus and will help sustain continued excellence at Syracuse University.

Syracuse University continues to demonstrate a commitment to internationally recognized research and achievement of the goals set out in its Academic Strategic Plan. In fiscal year 2019, the University once again earned a position in the top tier for research activity among all doctoral universities in the nation, according to the Carnegie Classification of Institutions of Higher Education. The University generated over $100 million in grant and contract revenues in fiscal year 2019, a critical factor in attracting outstanding faculty members and enhancing the educational experience for both undergraduate and graduate students.

Investments in academic programs during fiscal year 2019 included 107 new faculty hires, including some of the 33 signature and 53 cluster hires approved under the Invest Syracuse commitment to hire 200 new faculty. A second round of CUSE grants—$1million in fiscal year 2019—were allocated to enhance faculty competitiveness for extramural funding. Investments were made into physical classroom space as well: Noteworthy progress was made on bringing all Registrar classrooms to a digital standard with new and modern equipment.

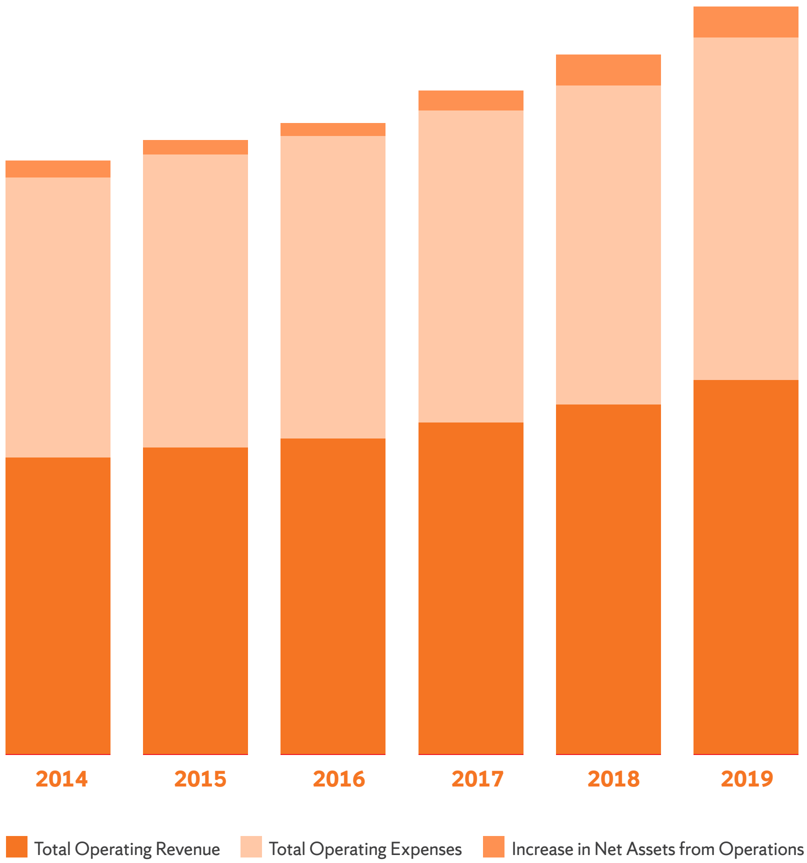
The financial results described on the following pages are remarkable, as they demonstrate the major growth the University has experienced under the leadership of Chancellor Syverud. Even as global market uncertainty looms, Syracuse University is prepared to step confidently into the new decade. Net assets have increased by over half a billion dollars since Chancellor Syverud's inauguration in 2014, while many signature capital projects and academic programs have moved forward at a rapid pace. It is the preparation, resiliency, and good stewardship of its financial resources that have prepared Syracuse University to reach new heights.

Operating Results

The snapshot of historical operating results presented below demonstrates the growth in both net assets and operating margins for the University.

Net operating margins are among the highest in the University's history, cash balances have grown significantly (even as several major capital projects have been advanced), and the endowment has grown by over $250 million during this time. The financial growth and success of the University are exciting to behold.

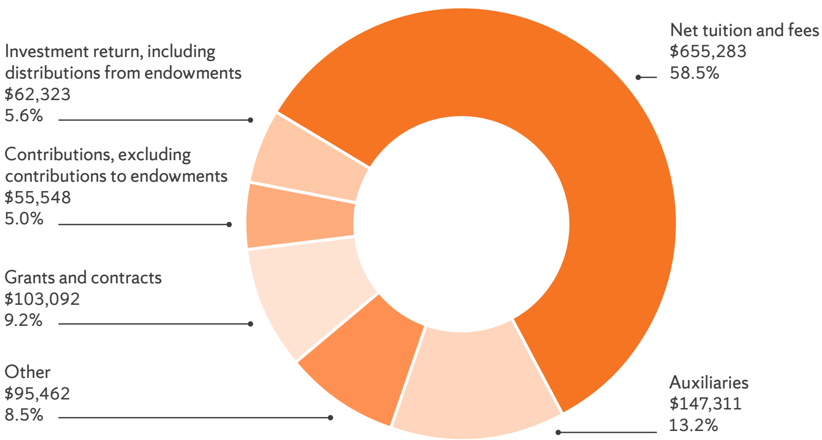
Increase in Net Assets 2014-2019



Operating Revenues

Total operating revenues increased $72.2 million to $1.1 billion. Net tuition and fees increased by $52.9 million due to increased online enrollment and rate increases for undergraduate and graduate programs. Increasing revenues are primarily driven by student enrollment, which totaled 22,484 in fall 2018, consisting of 15,252 undergraduate students, 6,633 graduate students, and 599 students enrolled at the College of Law. Grants and contracts increased to over $100 million. Giving remained strong in fiscal year 2019 and is targeted for future growth under the Forever Orange campaign.

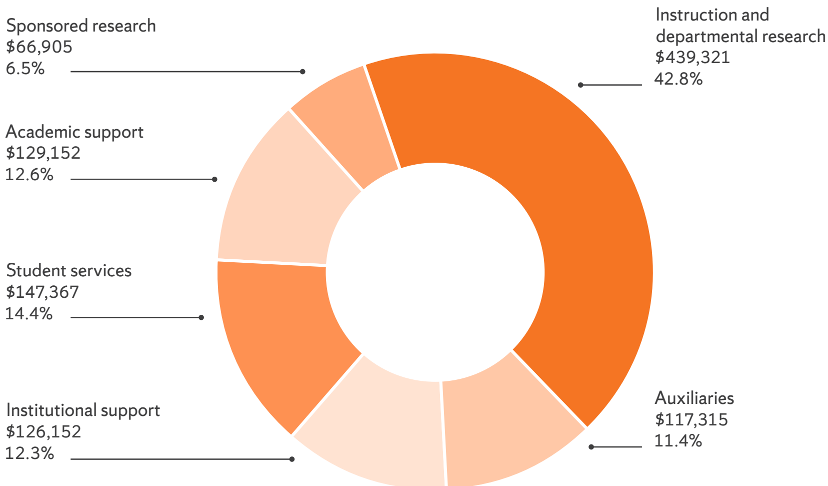
Fiscal 2019 Operating Revenues *(Thousands of Dollars)*



Operating Expenses

Total operating expenses increased $71.5 million to $1.02 billion. Instruction and departmental research continued to represent the majority of the University's expenses, at 42.8% in fiscal year 2019. In support of Invest Syracuse, 33 signature and 53 cluster faculty hires occurred during fiscal year 2019. These strategic hires support the programmatic goals of the Academic Strategic Plan.

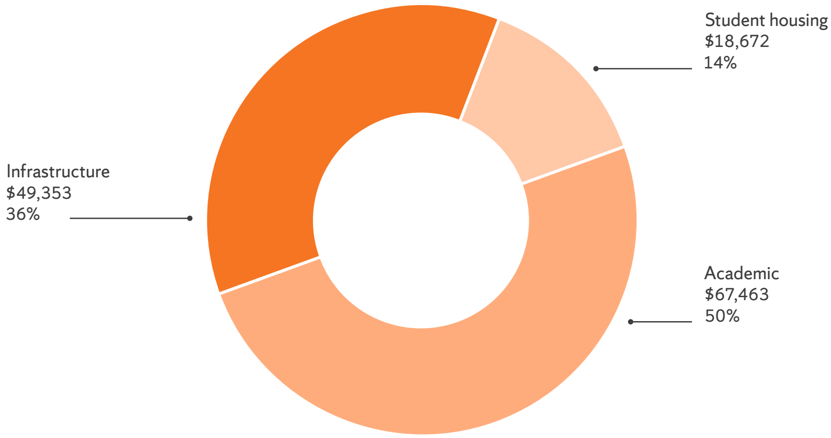
Fiscal 2019 Operating Expenses *(Thousands of Dollars)*



Capital Spending

The Campus Framework has continued to guide the strategic spending of capital project funds to provide enhanced infrastructure for educational innovation and expansion of student services. As ongoing projects neared completion, new projects commenced in fiscal year 2019, including the renovation of the Schine Student Center, the effort to replace the Stadium roof, and ongoing renovations to classrooms, auditoria, and student housing.

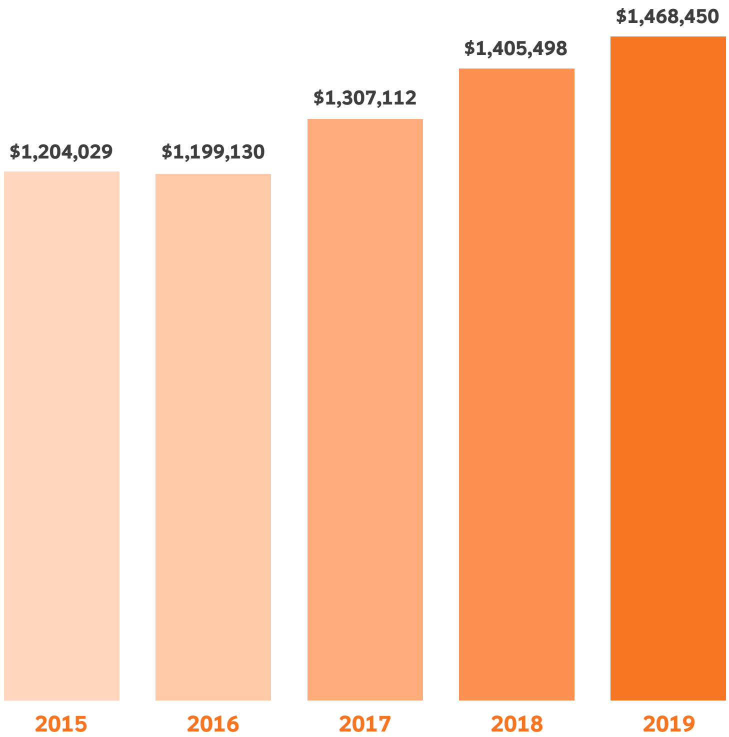
Fiscal Year 2019 Capital Spending *(Thousands of Dollars)*



Investments

The investment portfolio, which represents 45.8% of total assets, was valued at $1.5 billion in fiscal year 2019. The endowment is the largest component of investments and was valued at $1.4 billion at the end of fiscal year 2019. The remaining balance of investments is comprised primarily of security gifts and operating investments. Healthy annual returns of 6.9% and generous donor contributions were the primary drivers of overall portfolio growth.

Five-Year Comparison of Total Investments *(Thousands of Dollars)*



Moving Forward

The Division of Business, Finance and Administrative Services provides keen financial stewardship and leadership to Syracuse University. As we look to the future, we understand that diligent management of resources will be necessary to steer the University through an uncertain global financial environment. We are confident that the preceding results have positioned the University well for its upcoming endeavors. We thank you for your continued support.

AMIR RAHNAMAY-AZAR

Senior Vice President for Business, Finance and Administrative Services 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 United States 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 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 Internal Audit 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. KPMG's 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 trustee 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 oversight of the work performed by the independent auditors, oversight of the work performed by Internal Audit, and oversight of the University's internal control systems and financial reporting processes. The Audit Committee meets with financial management, the independent auditors, and the University Audit Executive to review financial reporting, internal accounting controls, and auditing matters. Both the independent auditors and the University Audit Executive have direct and private access to the Audit Committee.

Kent Syverud

KENT SYVERUD
Chancellor and President

AMIR RAHNAMAY-AZAR
Senior Vice President for Business, Finance and Administrative Services and Chief Financial Officer

Consolidated Financial Statements

June 30, 2019 and 2018

(with Independent Auditors' Report Thereon)

On Tuesday, April 9, 2019, Syracuse University held a celebration in honor of Renée Schine Crown '50, H'84 and Lester Crown, where large renderings of the planned renovations to the Schine Student Center were revealed. The renderings were placed on the existing wall of the building, allowing attendees to envision what the space will become.

Looking to the future: The renovations to the Hildegarde and J. Myer Schine Student Center began in fiscal year 2019. Centering the student experience, the renovations will allow the Schine Student Center to better meet the needs of students today and for years to come. As the hub of student life, the building will be transformed to fulfill its original mission as the "living room" of campus—a place for students to eat, gather, study, and lounge.

Independent Auditors' Report

KPMG LLP
515 Broadway
Albany, NY 12207-2974

The Board of Trustees
Syracuse University:

We have audited the accompanying consolidated financial statements of Syracuse University and subsidiaries (the University), which comprise the consolidated balance sheets as of June 30, 2019 and 2018, 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 financial position of the University as of June 30, 2019 and 2018, 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

Emphasis of Matters

As discussed in Note 2(n) to the consolidated financial statements, during the year ended June 30, 2019, the University adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* and ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* Our opinion is not modified with respect to these matters.

KPMG LLP

September 27, 2019

Consolidated Balance Sheets

June 30, 2019 and 2018 (Thousands of dollars)

Assets	**2019**	**2018**
Cash and cash equivalents	$280,137	$299,986
Interest rate swap agreements collateral	30,400	14,600
Receivables, net	156,630	150,403
Other assets	33,812	30,497
Investments	1,468,450	1,405,498
Land, land improvements, buildings, equipment, and collections, net	1,234,985	1,130,734
Total assets	$3,204,414	$3,031,718
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$168,263	$136,664
Deposits and deferred revenues	77,396	77,570
Asset retirement obligations	21,606	20,956
Accrued postretirement benefit obligation	48,708	49,572
Capital lease obligation	2,680	2,796
Interest rate swap agreements	78,003	57,444
Long-term debt	423,652	429,527
Refundable government student loan funds	28,628	27,891
Total liabilities	848,936	802,420
Net assets:		
Without donor restrictions	1,545,536	1,467,737
With donor restrictions	809,942	761,561
Total net assets	2,355,478	2,229,298
Total liabilities and net assets	$3,204,414	$3,031,718

See accompanying notes to consolidated financial statements.

Consolidated Statement of Activities

Year ended June 30, 2019
(With comparative totals for the year ended June 30, 2018)
(Thousands of dollars)

	Without donor restrictions	**With donor restrictions**	**2019 total**	**2018 total**
Operating revenues:				
Tuition and fees, net of financial aid of $335,720 in 2019 and $324,666 in 2018	$655,283		$655,283	$602,356
Contributions, excluding contributions to endowments	41,508	$14,040	55,548	59,991
Grants and contracts	96,747	6,345	103,092	86,781
Investment return, including distributions from endowments	62,323		62,323	53,546
Auxiliaries, net of financial aid of $6,203 in 2019 and $5,885 in 2018	147,311		147,311	150,162
Other	95,462		95,462	93,968
Net assets released from restrictions	8,224	(8,224)		
Total operating revenues	1,106,858	12,161	1,119,019	1,046,804
Operating expenses:				
Instruction and departmental research	439,321		439,321	396,951
Sponsored research and other programs	66,905		66,905	72,797
Academic support	129,152		129,152	119,651
Student services	147,367		147,367	137,919
Institutional support	126,152		126,152	110,054
Auxiliaries	117,315		117,315	117,317
Total operating expenses	1,026,212		1,026,212	954,689
Increase in net assets from operating activities	80,646	12,161	92,807	92,115
Nonoperating activities:				
Contributions to endowments		15,451	15,451	26,954
Returns from investments and other financial instruments, excluding distributions from endowments	(3,614)	20,769	17,155	87,935
Postretirement benefit obligation changes other than service cost	767		767	4,705
(Decrease) increase in net assets from nonoperating activities	(2,847)	36,220	33,373	119,594
Increase in net assets	77,799	48,381	126,180	211,709
Net assets at beginning of year	1,467,737	761,561	2,229,298	2,017,589
Net assets at end of year	$1,545,536	$809,942	$2,355,478	$2,229,298

See accompanying notes to consolidated financial statements.

Consolidated Statement of Activities

Year ended June 30, 2018 (Thousands of dollars)

	Without donor restrictions	With donor restrictions	2018 total
Operating revenues:			
Tuition and fees, net of financial aid of $324,666	$602,356		$602,356
Contributions, excluding contributions to endowments	40,494	$19,497	59,991
Grants and contracts	86,781		86,781
Investment return, including distributions from endowments	53,546		53,546
Auxiliaries, net of financial aid of $5,885	150,162		150,162
Other	93,968		93,968
Net assets released from restrictions	13,215	(13,215)	
Total operating revenues	1,040,522	6,282	1,046,804
Operating expenses:			
Instruction and departmental research	396,951		396,951
Sponsored research and other programs	72,797		72,797
Academic support	119,651		119,651
Student services	137,919		137,919
Institutional support	110,054		110,054
Auxiliaries	117,317		117,317
Total operating expenses	954,689		954,689
Increase in net assets from operating activities	85,833	6,282	92,115
Nonoperating activities:			
Contributions to endowments		26,954	26,954
Returns from investments and other financial instruments, excluding distributions from endowments	53,968	33,967	87,935
Postretirement benefit obligation changes other than service cost	4,705		4,705
Increase in net assets from nonoperating activities	58,673	60,921	119,594
Increase in net assets	144,506	67,203	211,709
Net assets at beginning of year	1,323,231	694,358	2,017,589
Net assets at end of year	$1,467,737	$761,561	$2,229,298

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018 (Thousands of dollars)

	2019	2018
Cash flows from operating activities:		
Change in net assets	$126,180	$211,709
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Postretirement benefit obligation changes other than service cost	(767)	(4,705)
Depreciation and amortization	76,768	74,320
Changes in fair value of investments and financial instruments	(52,384)	(121,342)
Gifts of property and equipment	(3,532)	(830)
Contributions restricted for investment and physical facilities	(24,301)	(34,998)
Changes in operating assets and liabilities:		
Receivables, net	(11,684)	(9,197)
Other assets	(3,315)	79
Accounts payable and accrued liabilities	10,230	(11,747)
Deposits and deferred revenues	(174)	3,363
Asset retirement obligations	650	(550)
Accrued postretirement benefit obligation	(97)	106
Net cash provided by operating activities	117,574	106,208
Cash flows from investing activities:		
Loans made to students	(48)	(6,822)
Loans paid by students	5,505	5,859
Purchases of investments	(203,354)	(208,327)
Sales and maturities of investments	213,994	213,517
Purchases of land, land improvements, buildings, equipment, and collections	(157,352)	(79,129)
Net cash used in investing activities	(141,255)	(74,902)
Cash flows from financing activities:		
Contributions restricted for investment and physical facilities	24,301	34,998
Payments of long-term debt	(5,290)	(5,065)
Payments of capital lease obligation	(116)	(137)
Changes in interest rate swap agreements collateral	(15,800)	14,100
Change in refundable government student loan funds	737	222
Net cash provided by financing activities	3,832	44,118
Net (decrease) increase in cash and cash equivalents	(19,849)	75,424
Cash and cash equivalents at beginning of year	299,986	224,562
Cash and cash equivalents at end of year	$280,137	$299,986
Supplemental disclosure:		
Interest paid	$18,730	$18,230
Increase in accounts payable for land, land improvements, buildings, equipment, and collections	$20,720	$5,861

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

1. Organization

Syracuse University (the University) is a private, not-for-profit, 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 22,800 students, including approximately 15,300 full-time undergraduate and law students, approximately 3,900 full-time master's and doctoral students, and approximately 3,600 part-time students. Geographically, the undergraduate student body represents 50 states and 92 foreign countries. The University offers approximately 500 degree and certificate 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, 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 2018 information to conform to the 2019 presentation that are primarily related to changes in the functional classification of certain ancillary student related expenses from auxiliaries to student services.

(c) Net Asset Classes

The accompanying consolidated financial statements present information regarding the University's financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Without donor restrictions 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.

With donor restrictions net assets are subject to donor stipulations that expire by the passage of time, can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

(d) Revenue from Contracts with Customers

Under Accounting Standards Codification Topic 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which the University expects to be entitled in exchange for those goods or services (i.e., the transaction price).

Revenue from student tuition, fees, room and board is recognized over the academic year, which generally aligns with the University's fiscal year, as services are provided. Revenues associated with academic programs that cross fiscal years are recognized based on the number of days the services are provided in each fiscal year. Revenues are presented at transaction prices, which are determined based on standard published rates for the services less institutional aid awarded to qualifying students. Aid in excess of students' tuition and fees is reflected as a reduction of room and board charges. Amounts paid to students for living or other costs are reported as an expense.

The amount of revenue per student varies based on the specific program or class in which the student enrolls as well as whether the student resides in University housing. In addition, students who adjust their course load, residence assignment, board assignment, or withdraw completely within the specified period published in the University's academic calendar may receive a full or partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized. Payments are generally due prior to the start of the academic term.

Room and board revenues are included in Auxiliaries on the consolidated statements of activities. Room revenues, net of applicable aid, totaled $64.9 million and $59.3 million for the years ended June 30, 2019 and June 30, 2018, respectively. Board revenues, net of applicable aid, totaled $66.8 million and $60.7 million for the years ended June 30, 2019 and June 30, 2018, respectively.

Revenues from students received in advance of services provided, which primarily consist of summer session revenues, are included in deposits and deferred revenues in the consolidated balance sheets and totaled $55.2 million and $54.5 million at June 30, 2019 and 2018, respectively.

(e) Revenue from Grants and Contracts

Grants and contracts awarded by federal and other sponsors, which are generally considered nonreciprocal transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the agreements are met. Grants and contracts whose restrictions are met in the same fiscal year as their revenue is recognized are reported as grants and contracts without donor restrictions.

Revenues received in advance of services provided are included in deposits and deferred revenues in the consolidated balance sheets, and totaled $22.0 million and $18.5 million at June 30, 2019 and 2018, respectively.

Conditional awards from federal and other sponsors outstanding as of June 30, 2019 were $65.7 million.

(f) 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 with donor restrictions. Gifts whose restrictions are met in the same fiscal year as their receipt are reported as contributions without donor restrictions. Similarly, purpose-restricted investment returns earned during the same fiscal year in which those restrictions are met are reported as investment return without donor restrictions.

(g) 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.

Notes to Consolidated Financial Statements

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(h) 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.

(i) 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.

(j) Fair Value

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The three levels of the fair value hierarchy are:

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

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

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.

(k) Operations

The consolidated statements of activities present expenses by functional classification and reflect a subtotal for the change in net assets from operations. This subtotal reflects all transactions increasing or decreasing net assets without donor restrictions except those items associated with certain long-term investment returns, actuarial adjustments to self-insurance liabilities, changes in postretirement benefit obligations other than service cost and changes in the fair value of other financial instruments. Operation and maintenance of plant and depreciation are allocated to the functional expense line items based on relative square footage of facilities used for such functions and interest expense is allocated based on the functional purpose for which the debt proceeds were used.

(l) Estimates

The preparation of consolidated 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 consolidated 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 certain investments at fair value, estimated net realizable value of receivables, asset retirement obligations, and actuarially determined employee benefit and self-insurance liabilities. Actual results could differ from estimates.

(m) Income Taxes

The University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes pursuant to Section 501(a) of the Internal Revenue Code. 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 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.

(n) Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, which is intended to improve the financial reporting requirements for revenue from contracts with customers. The ASU establishes a five-step model and application guidance for determining the timing and amount of revenue recognition. The related application guidance in the ASU replaces most existing revenue recognition guidance in GAAP. The University's adoption of the ASU in fiscal 2019 on a modified retrospective basis did not have a material effect on the University's consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The University's adoption of the ASU in fiscal 2019 on a modified prospective basis did not have a material effect on the University's consolidated financial statements.

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

3. Financial Assets and Liquidity Resources

At June 30, 2019 and June 30, 2018, financial assets and liquidity resources available within one year for general expenditures, including operating expenses, scheduled principal payments on debt, and capital construction costs not financed by debt, are as follows (in thousands of dollars):

	2019	2018
Financial assets, at year-end	$1,935,617	$1,870,487
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Donor restricted endowment	(671,080)	(636,404)
Pledges receivable, net, due in greater than one year	(41,852)	(40,407)
Student loans, net, due in greater than one year	(31,257)	(36,777)
Cash held as collateral for swap agreements	(30,400)	(14,600)
Board designations:		
Quasi-endowment fund, primarily for long-term investing	(713,072)	(691,744)
Board-approved endowment spending distribution:		
Fiscal year 2019 appropriation		45,795
Fiscal year 2020 appropriation	47,533	
Financial assets available to meet cash needs for general expenditures within one year	$495,489	$496,350

The University's working capital and cash flows have seasonal variations during the year attributable to tuition billing and a concentration of contributions received at calendar and fiscal year end. To manage liquidity the University has a taxable commercial paper note program as described in footnote 8. In addition, the quasi endowment of $713.1 million and $691.7 million at June 30, 2019 and 2018, respectively, can be made available for general expenditure with approval from the University's Board of Trustees, subject to investment liquidity provisions.

4. Receivables

The following is a summary of accounts receivable, pledges receivable, and matured bequests receivable at June 30, 2019 and June 30, 2018 (in thousands of dollars):

	2019	2018
Accounts receivable	$94,764	$83,233
Pledges receivable, net of present value discount	74,949	80,392
Matured bequests receivable	2,018	1,705
	171,731	165,330
Allowance for doubtful accounts	(15,101)	(14,927)
Total	$156,630	$150,403

Accounts receivable include student loans receivable of $31.3 million and $36.8 million at June 30, 2019 and June 30, 2018, respectively, net of allowances for doubtful accounts of approximately $1.0 million at both June 30, 2019 and June 30, 2018.

Unconditional pledges and matured bequests at June 30, 2019 and June 30, 2018 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):

	2019	2018
Less than one year	$32,432	$30,313
One year to five years	31,211	39,966
More than five years	22,644	22,644
	86,287	92,923
Allowance for doubtful accounts	(11,551)	(11,377)
Present value discount	(9,320)	(10,826)
Total	$65,416	$70,720

The discount rates used to present value the pledges range from 0.72% to 6.00% at June 30, 2019 and June 30, 2018.

Conditional promises, which depend on the occurrence of a specified future or uncertain event, are recognized when the conditions are substantially met. Total unrecognized conditional pledges for the University were approximately $40.6 million as of June 30, 2019.

5. 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, 2019 and June 30, 2018, the University had no specific plans or intentions to sell investments at amounts different than NAV.

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June 30, 2019 and 2018

The University's investments at June 30, 2019 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	$249,783	207	$249,990
International equity	Daily	111,848		111,848
Fixed income	Daily	134,877	16,748	151,625
Real asset	Daily	53,415		53,415
Total marketable securities		549,923	16,955	566,878
Commingled funds:				
International equity	Monthly	60,498		60,498
Fixed income	Daily to monthly	65,414		65,414
Total commingled funds		125,912		125,912
Funds held or administered by others	Not applicable	1,577	25,719	27,296
Subtotal		677,412	42,674	720,086
Investments measured at net asset value:				
Commingled fund:				
U.S. equity	Monthly			3,499
International equity	Monthly			21,980
Fixed income	Monthly			2,775
Hedge funds:				
Long/short	Monthly to illiquid			237,104
Multi-strategy	Quarterly to illiquid			84,001
Other	Monthly to illiquid			80,747
Private partnerships:				
Buyout	Illiquid			134,040
Venture capital	Illiquid			102,441
Debt related	Illiquid			24,788
Real asset	Illiquid			56,989
Subtotal				748,364
Total		$677,412	$42,674	$1,468,450

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, 2018 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	$226,532	3,812	$230,344
International equity	Daily	136,368	1,716	138,084
Fixed income	Daily	135,474	19,679	155,153
Real asset	Daily	48,481		48,481
Total marketable securities		546,855	25,207	572,062
Commingled funds:				
International equity	Monthly	59,642		59,642
Fixed income	Daily to monthly	60,418		60,418
Total commingled funds		120,060		120,060
Funds held or administered by others	Not applicable	1,277	25,443	26,720
Subtotal		668,192	50,650	718,842
Investments measured at net asset value:				
Commingled fund:				
International equity	Monthly			22,155
Hedge funds:				
Long/short	Monthly to illiquid			232,287
Multi-strategy	Quarterly to illiquid			84,257
Other	Monthly to illiquid			50,550
Private partnerships:				
Buyout	Illiquid			135,332
Venture capital	Illiquid			90,403
Debt related	Illiquid			24,508
Real asset	Illiquid			47,164
Subtotal				686,656
Total		$668,192	$50,650	$1,405,498

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 the fiscal years ended June 30, 2019 or June 30, 2018.

The private partnerships have initial terms of 10 years with extensions of one to four years and have an average remaining expected life of 4.6 years and 4.3 years as of June 30, 2019 and June 30, 2018, respectively. At June 30, 2019, the University's outstanding commitments to private partnerships totaled $215.5 million. Private partnerships are considered to be illiquid because distributions are made upon the liquidation of underlying investments.

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

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 $41.4 million and $27.5 million expire in fiscal year 2020 and 2022, respectively.

The following table summarizes the components of investment return in the consolidated statements of activities for the years ended June 30, 2019 and June 30, 2018 (in thousands of dollars):

	2019	2018
Interest and dividends	$27,272	$20,211
Realized gains, net	81,138	38,713
Unrealized (losses) gains, net	(8,020)	64,537
Total investment return	$100,390	$123,461

Netted in the interest and dividends component of investment return were investment management expenses of $3.3 million and $3.5 million in fiscal years 2019 and 2018, respectively.

6. Endowment Funds

The University's endowment consists of approximately 2,400 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.

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 calendar years by the percentage approved by the Committee each year. The percentage approved for fiscal years 2019 and 2018 was 3.84%. In addition, other distributions approved by the IEC of $0 million and $3.7 million were made in fiscal years 2019 and 2018, 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 classifies as net assets with donor restrictions the historical value of donor-restricted endowment funds, which includes (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) changes to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift.

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

Endowment funds are considered to be underwater when their fair value is less than their historical gift amounts. In accordance with the Prudent Management standards contained in NYPMIFA, the University has the ability to spend from individual endowments that are underwater, if it considers such action to be prudent for that particular endowment. In addition, in accordance with the implementation of NYPMIFA in 2011, the University was required to ask certain existing donors if they wished to prevent spending from their endowment if underwater. If the donor had requested spending not occur if their endowment is underwater, the University is required to comply with this request. As of June 30, 2019 and 2018, there was none and one endowment fund underwater where the donor had requested that spending not occur if the endowment was underwater, respectively.

At June 30, 2019 and June 30, 2018, 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):

		With donor restrictions			
	Without donor restrictions	**Original gift**	**Accumulated gains (losses)**	**Total**	**Total funds 2019**
Quasi	$713,072				$713,072
Donor restricted:					
Underwater		$58,325	$(2,880)	$55,445	55,445
Other		398,246	217,389	615,635	615,635
	$713,072	$456,571	$214,509	$671,080	$1,384,152

		With donor restrictions			
	Without donor restrictions	**Original gift**	**Accumulated gains (losses)**	**Total**	**Total funds 2018**
Quasi	$691,744				$691,744
Donor restricted:					
Underwater		$78,016	$(4,348)	$73,668	73,668
Other		363,599	199,137	562,736	562,736
	$691,744	$441,615	$194,789	$636,404	$1,328,148

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June 30, 2019 and 2018

Changes in net assets associated with endowment funds for the fiscal years ended June 30, 2019 and June 30, 2018 were (in thousands of dollars):

2019	Without donor restrictions	With donor restrictions	Total
Net assets at June 30, 2018	$691,744	$636,404	$1,328,148
Investment return	39,796	43,534	83,330
Contributions		13,481	13,481
Distributions	(24,073)	(22,198)	(46,271)
Board designated and donor required transfers	5,605	(141)	5,464
Net assets at June 30, 2019	$713,072	$671,080	$1,384,152

2018	Without donor restrictions	With donor restrictions	Total
Net assets at June 30, 2017	$652,738	$579,612	$1,232,350
Investment return	62,833	52,937	115,770
Contributions		22,959	22,959
Distributions	(26,525)	(19,328)	(45,853)
Board designated and donor required transfers	2,698	224	2,922
Net assets at June 30, 2018	$691,744	$636,404	$1,328,148

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

The following is a summary of land, land improvements, buildings, equipment, and collections at June 30, 2019 and June 30, 2018 (in thousands of dollars):

	2019	2018
Land and land improvements	$98,609	$96,388
Buildings and buildings' equipment	2,006,814	1,846,771
Equipment	130,776	121,312
Library and art collections	238,727	233,693
	2,474,926	2,298,164
Accumulated depreciation	(1,239,941)	(1,167,430)
Total	$1,234,985	1,130,734

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.

8. Long-Term Debt and Interest Rate Swap Agreements

Long-term debt outstanding at June 30, 2019 and June 30, 2018 is set forth below (in thousands of dollars):

	Fiscal years of maturity	2019	2018
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	65,500	66,025
Onondaga County Industrial Development Agency - Civic Facility Variable Rate Revenue Bonds:			
Series 2008B (c)	2010-2038	27,175	28,125
Trust for Cultural Resources of the County of Onondaga Revenue Bonds:			
Series 2010A (d)	2030	75,525	75,525
Series 2010B (e)	2011-2020	30,375	30,570
Series 2011 (f)	2013-2037	39,315	40,655
Series 2013 (g)	2015-2039	57,025	58,645
Bank Loan - Syracuse University Hotel and Conference Center LLC (h)	2028	5,390	6,050
Total principal debt		424,780	430,070
Unamortized premium		2,580	3,479
		427,360	433,549
Less bond issuance costs		3,708	4,022
Total long-term debt		$423,652	$429,527

(a) Periodic Auction Reset Securities (PARS) bonds have their interest rates set at weekly auctions. The interest rates at June 30, 2019 and June 30, 2018 were 3.51% and 2.91%, respectively, for Series 1999A 3.45% and 2.87%, 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, 2019 and June 30, 2018 were 1.78% and 1.46%, 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.

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(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, 2019 and June 30, 2018 were 1.90% and 1.53%, respectively, for Series 2008A, and 1.78% and 1.46%, 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, 2019 and June 30, 2018 were 1.70% and 1.49%, 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, 2019 and June 30, 2018. 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, 2019 and June 30, 2018, the interest rates were 2.44% and 2.38%, 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**
2020	$35,660
2021	5,510
2022	5,725
2023	5,970
2024	6,235
Thereafter	365,680
Total	$424,780

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, 2019 and June 30, 2018, there were requirements to collateralize the obligations under the interest rate swap agreements in the amounts of $30.4 million and $14.6 million, respectively.

As of June 30, 2019, the University paid two counterparties a weighted average fixed interest rate of 3.679% on a total notional amount of $292.7 million, which related to its variable interest rate revenue bonds. As of June 30, 2018, the University paid two counterparties a weighted average fixed interest rate of 3.680% on a total notional amount of $294.2 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 $5.4 million and $6.1 million as of June 30, 2019 and June 30, 2018, respectively, that related to its loan with JPMorgan Chase Bank, N.A.

At June 30, 2019 and June 30, 2018, the fair values of the University's interest rate swap agreements were $(78.0) million and $(57.4) million, respectively. The interest rate swap agreements are classified in Level 2 of the fair value hierarchy.

The changes of $(20.6) million and $18.9 million in the fair values of the interest rate swap agreements were included in the returns from investments and other financial instruments, excluding distributions from endowments for the years ended June 30, 2019 and June 30, 2018, respectively. The net cash payments of $6.2 million and $7.9 million made under the interest rate swap agreements were included in interest expense during fiscal years 2019 and 2018, respectively.

The University had letters of credit and a surety bond aggregating approximately $265.6 million at June 30, 2019 and $267.1 million at June 30, 2018 related to its variable interest rate long-term debt and to potential claims under the University's workers' compensation plan. Expiration dates range from fiscal 2020 to fiscal 2021 and there were no outstanding amounts against the letters of credit or surety bond.

In September 2017, the University instituted a taxable commercial paper notes program that allows the University to issue in aggregate up to $75.0 million in commercial paper notes. Proceeds from the issuance of commercial paper may be used to provide bridge financing for capital projects and to finance general operations of the University. The notes bear a fixed rate of interest, established on the borrowing date, over their individual terms not to exceed 270 days. The program has an ultimate expiration of June 30, 2075. At June 30, 2019 and June 30, 2018 there was no commercial paper outstanding.

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

9. 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, 2019 and June 30, 2018. At June 30, 2019 and June 30, 2018, accumulated depreciation in the consolidated balance sheet was $1.6 million and $1.4 million, respectively, relating to this lease.

Future minimum capital lease payments as of June 30, 2019 are as follows (in thousands of dollars):

Fiscal year	Amount
2020	$491
2021	491
2022	491
2023	499
2024	506
Thereafter	1,819
Total minimum lease payments	4,297
Less amount representing interest	1,617
Present value of minimum lease payments	$2,680

10. Foreign Currency Forward Contracts

At June 30, 2019 and June 30, 2018, the University had commitments for foreign currency forward contracts with notional values of $20.3 million and $19.6 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 $0.2 million, were included in other assets, at June 30, 2019 and June 30, 2018, respectively. The foreign currency forward contracts are classified as Level 2 in the fair value hierarchy. For the years ended June 30, 2019 and June 30, 2018, the decrease of $0.6 million and increase of $1.1 million, respectively, in fair values of foreign currency forward contract commitments were included in the returns from investments and other financial instruments, excluding distributions from endowments.

11. Net Assets

At June 30, 2019 and June 30, 2018, net assets were comprised as follows (in thousands of dollars):

	2019		2018	
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions
Undesignated	$832,464		$775,993	
Pledges and matured bequests receivable		$65,416		$70,720
Other		23,184		11,198
Funding for facilities		18,208		11,807
Funding for student loans		4,286		4,182
Life income, annuity, and similar funds		27,768		27,250
Endowment funds:				
Scholarships	43,516	325,249	41,912	308,444
Endowed chairs	16,400	163,582	15,842	156,012
Other	653,156	182,249	633,990	171,948
Total net assets	$1,545,536	$809,942	$1,467,737	$761,561

12. Natural Classification of Expenses

The University's primary program service is academic instruction and research. Expenses reported as student services, institutional support and auxiliaries are incurred in support of this primary program activity. Expenses presented by natural classification and function are as follows for the fiscal year ended June 30, 2019 and June 30, 2018 (in thousands of dollars):

						2019
	Salaries and benefits	Supplies and services	Occupancy and related expenses	Depreciation and interest	Other operating expenses	Totals
Instruction and departmental research	$273,138	$83,000	$26,584	$30,578	$26,021	$439,321
Sponsored research and other programs	35,929	14,449	3,022	4,626	8,879	66,905
Academic support	90,584	8,897	14,205	13,636	1,830	129,152
Student services	81,360	19,491	10,057	5,832	30,627	147,367
Institutional support	78,330	23,104	4,270	5,887	14,561	126,152
Auxiliaries	40,041	4,684	8,210	35,056	29,324	117,315
Total expenses	$599,382	$153,625	$66,348	$95,615	$111,242	$1,026,212

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

2018

	Salaries and benefits	Supplies and services	Occupancy and related expenses	Depreciation and interest	Other operating expenses	Totals
Instruction and departmental research	$262,805	$64,886	$23,837	$29,312	$16,111	$396,951
Sponsored research and other programs	37,599	16,628	5,756	4,777	8,037	72,797
Academic support	85,778	5,663	13,173	13,629	1,408	119,651
Student services	75,225	18,326	7,135	4,890	32,343	137,919
Institutional support	71,543	15,211	3,266	5,747	14,287	110,054
Auxiliaries	38,303	3,807	9,099	34,760	31,348	117,317
Total expenses	$571,253	$124,521	$62,266	$93,115	$103,534	$954,689

13. 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 2019 and 2018 were approximately $35.6 million and $34.1 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):

	2019	2018
Change in benefit obligation:		
Benefit obligation at beginning of year	$49,572	$54,171
Service cost	2,277	2,781
Interest cost	1,839	1,887
Plan participants' contributions	1,370	1,092
Plan amendment		(1,274)
Actuarial gain	(2,606)	(5,318)
Benefits paid	(3,760)	(3,791)
Medicare Part D prescription drug federal subsidy	16	24
Benefit obligation at end of year	$48,708	$49,572

Other changes in the postretirement benefit obligation recognized in net assets without donor restrictions in the consolidated statements of activities included the following components (in thousands of dollars):

	2019	2018
Actuarial gain	$2,606	$5,318
Gain on plan amendment		1,274
Amortization of:		
Actuarial (gain) loss	(326)	77
Prior service credits	(160)	(251)
Total increase in net assets without restrictions	$2,120	$6,418

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

	2019	2018
Operating activities:		
Service cost	$2,277	$2,781
Nonoperating activities:		
Interest cost	1,839	1,887
Amortization of actuarial (gain) loss	(326)	77
Amortization of prior service credits	(160)	(251)
Net periodic postretirement benefit cost	$3,630	$4,494

For measurement purposes, annual rates of increase in the per capita cost of covered healthcare of 6.75% and 4.75% for pre-65 and post-65 retirees, respectively, were assumed as of June 30, 2019. An annual rate of increase in the per capita cost of covered prescription drug benefits of 9.00% was assumed as of June 30, 2019. The rates were assumed to decrease to 3.78% for both healthcare and prescription drug benefits by fiscal year 2075 and remain at those levels thereafter.

As of June 30, 2019 and June 30, 2018, the discount rates used in determining the benefit obligations were 3.35% and 4.06%, respectively, and the discount rates used in determining the net periodic postretirement benefit costs were 4.06% and 3.74%, respectively.

Contributions to the postretirement benefit plans, net of employee contributions and the Medicare subsidy, were $2.4 million in fiscal year 2019 and are estimated to be $2.3 million for fiscal year 2020.

The net benefits expected to be paid in each fiscal year from 2019 through 2024 are approximately $2.3 million and the net aggregate expected payments including years through fiscal year 2029 total approximately $24.8 million. The expected benefits are based on the assumptions used to measure the University's benefit obligation at June 30, 2019, 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 2019 are amortization of prior service credits of approximately $0.2 million and amortization of actuarial gain of approximately $0.3 million. The unamortized prior service credits and unamortized net actuarial loss were $1.3 million and $6.2 million, respectively, at June 30, 2019.

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

14. 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.

At June 30, 2019, the University had approximately $154.5 million of construction commitments.

15. Subsequent Events

The University evaluated subsequent events for potential recognition or disclosure through September 27, 2019, the date on which the consolidated financial statements were available to be issued.

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