2007 FINANCIAL REPORT

SYRACUSE UNIVERSITY

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MESSAGE FROM THE CHANCELLOR

Steve Sartori

Nancy Cantor
Chancellor and President

The 2006-07 fiscal year was an exhilarating one for us, as we watched the seeds of *Scholarship in Action* that we've planted grow and blossom on our campus, in our community, and around the world.

As you know, *Scholarship in Action* is our University's vision that includes three key tenets—encouraging faculty excellence and scholarly distinction, attracting and supporting enterprising students with diverse backgrounds and experiences to our campus, and creating new opportunities for our students to seize their time here by engaging the world. In the past year, we've seen a broad array of success.

The Whitman School of Management's top-ranked program in entrepreneurship, for instance, partnered with the Burton Blatt Institute (BBI) to deliver the first Entrepreneurs Bootcamp for Veterans. This unique program is helping 21st century vets with disabilities launch their own business ventures under the mentorship of nationally recognized experts. Further, BBI's stature—and the School of Education's 100th anniversary celebration—were the magnets that attracted President of Ireland Mary McAleese to campus. President McAleese's landmark visit—the first to SU by a sitting European head of state—highlighted SU's historic leading role in advocating for the rights of people with disabilities and for inclusive education.

We didn't have to cross oceans, though, to find appreciation of SU's strengths and support for our vision. As the fiscal and academic years drew to a close, we announced a landmark 10-year, $30 million university-industry partnership with JPMorgan Chase (JPMC), a leading global financial services firm with assets of $1.4 trillion and operations in more than 50 countries, and one of New York State's largest private employers, with 25,000 employees. Our unique collaboration will provide a training ground for new and diverse talent in financial services technology and infrastructure and create hundreds of new jobs in Syracuse. A centerpiece of this partnership will be the new corporate technology center that JPMC plans to build on the Syracuse University campus. It will serve as a real-world testing ground for JPMC employees and SU students and faculty members.

Speaking of access: we achieved new heights in providing access and support for enterprising students this year, admitting the most diverse class—and one of the strongest academically—in SU's history. The highly demanding Coronat Scholars Program attracted top students to the College of Arts and Sciences. These students comprise National Merit Scholarship finalists, valedictorians of their high school classes, and top performers in numerous language and science exams. And since its inception, the Haudenosaunee Promise Scholarship Program—which provides scholarships to qualified Native American students from the six Haudenosaunee nations to attend SU—has more than tripled enrollment of first-year and transfer Native students to our University.

Along with our numerous public and private partners, we are moving forward aggressively with community-wide projects such as the creation of an Arts, Technology, and Design Quarter on Syracuse's Near West Side, which will promote economic development. We are also moving forward with the Connective Corridor—a community-wide effort to link the vast array of arts and cultural happenings, businesses, and neighborhoods in the City of Syracuse. This past year, a new Corridor bus service was launched by our partner CENTRO and many arts- and culture-based programs and activities have been created along the Corridor, which have been embraced by our campus and the community alike.

And beyond our local community, we're breaking new ground with centers of learning around the world: This year we launched "Gateway to Latin America," a new SU Abroad program based at the prestigious University of Chile in Santiago. We will also be sending our first students to one of Africa's oldest and most prestigious academic institutions, Makerere University in Uganda. These new avenues in our pursuit of learning through global interaction join a host of successful SU Abroad programs in Beijing, Florence, Hong Kong, London, Madrid, and Strasbourg.

All of the past year's achievements would not have happened without the hard work and passionate commitment to success exhibited by our students, faculty, staff, alumni, community, and business partners. Thanks to all who joined us in making a difference this year.

Cordially,

Nancy Cantor
Chancellor and President

Fiscal Year 2007 Overview

Syracuse University maintained its excellent financial condition and realized favorable financial results for the fiscal year ended June 30, 2007. This was accomplished while increasing its enrollment to more than 19,000 undergraduate, graduate, and law students—representing all 50 states and more than 90 countries—and continuing its work on major construction projects on the University's campus and in downtown Syracuse.

Steve Sartori

Louis G. Marcoccia
Executive Vice President
and Chief Financial Officer

Major construction projects include:

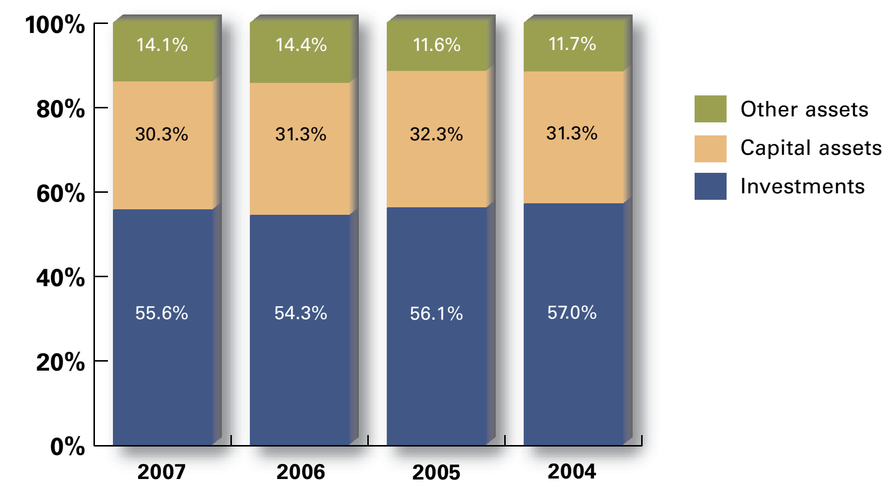
- The $31.6 million Newhouse III building that will provide an additional 74,000 square feet of space to better serve students and faculty in the S.I. Newhouse School of Public Communications.
- The $19.0 million renovation of Slocum Hall, the campus home of the School of Architecture, that will technologically, functionally, and aesthetically enhance the building.
- The $31.6 million Center of Excellence campus being built in downtown Syracuse, totaling 50,000 square feet, that will include spaces for collaboration between academic, public, private, and corporate partners in research and development, education, and public outreach.
- The $107.0 million, 225,000-square-foot Life Sciences Complex that will result in biology, chemistry, and biochemistry departments working collaboratively in one facility to better achieve interdisciplinary research and education.
- A $54.0 million, 140,000-square-foot, state-of-the-art residence hall including 250 beds, a 500-seat dining facility, recreational space, and academic space, scheduled to open in August 2009.

The University's financial strength and growth is exhibited by the positive change in its net assets of $179.7 million, the increase in its enrollment, the continued construction and renovation of facilities, and the strength of its financial performance. For fiscal year 2007, revenues were $782.2 million, an 8.6% increase over fiscal year 2006, and expenses were $635.0 million, an increase of only 4.1%. Net tuition and fees revenues comprised more than 40% of the University's total revenues and increased approximately 10.1%, while the tuition discount was maintained at 35% for both fiscal years 2007 and 2006.

Statements of Financial Position Highlights

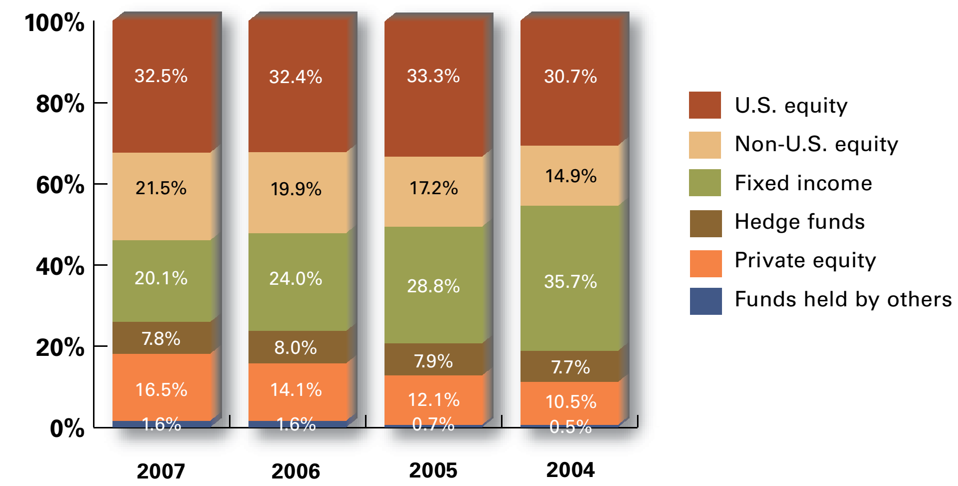
The largest asset components of the University's Statements of Financial Position are investments and net capital assets. At June 30, 2007, those assets totaled $1,288.3 million and $703.6 million, respectively, representing almost 86% of total assets. Asset component percentages for the past four fiscal years are set forth below:

ASSETS

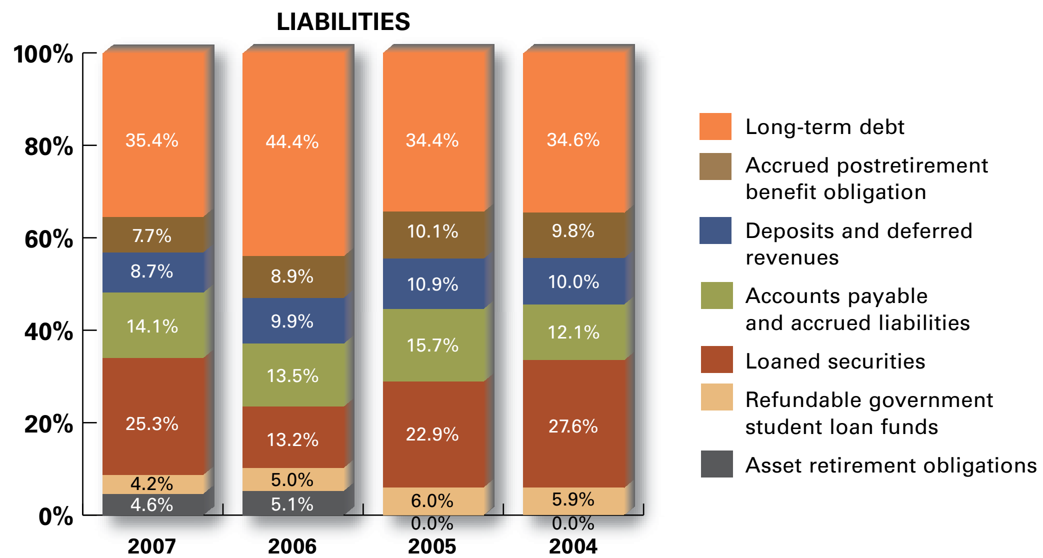


Investments increased 15.8% from fiscal year 2006 to $1,288.3 million. This increase is attributable to receipt of $17.5 million in endowment gifts, investment return of $164.3 million, and unrealized gains on investments of $34.0 million, net of $43.9 million in endowment distributions. As shown on the Investment Allocations chart, below, U.S. equities remained the largest component of the University's investments, comprising approximately 33%; non-U.S. equities increased from approximately 15% in fiscal year 2004 to approximately 22% in fiscal year 2007; private equity continued to increase, from approximately 11% in fiscal year 2004 to approximately 17% in fiscal year 2007; and fixed income decreased from approximately 36% in fiscal year 2004 to approximately 20% in fiscal year 2007.

INVESTMENT ALLOCATIONS

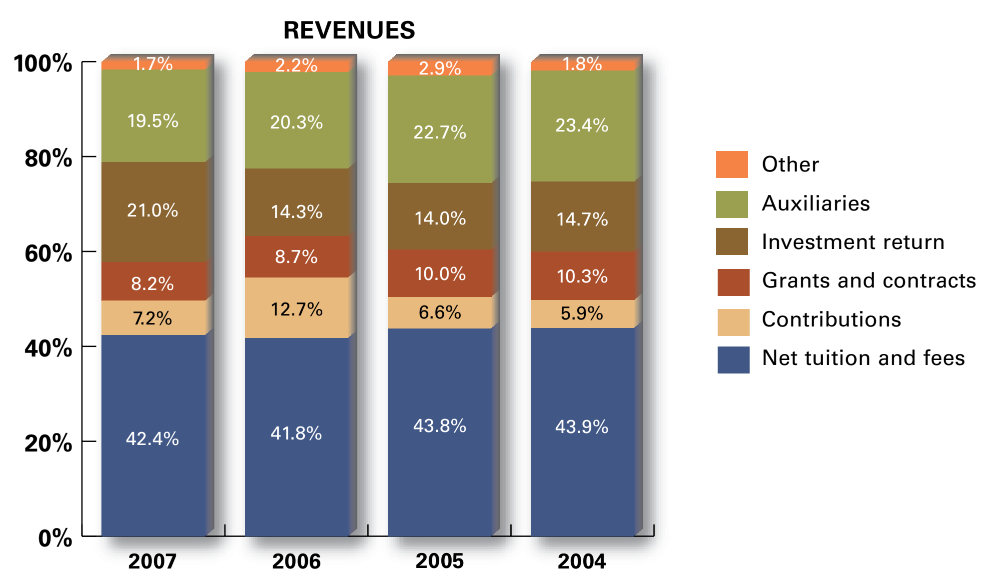


Liabilities increased to $603.0 million in fiscal year 2007. As indicated on the Liabilities chart below, long-term debt continues to comprise the largest component of liabilities. However, it decreased from 44% in fiscal year 2006 to 35.4% in fiscal year 2007 as the result of the forgiveness of $13.5 million in debt by the New York State Empire Development Corporation. To qualify for the forgiveness, the mortgage obligation balance was committed for support of high tech economic development in the Syracuse region and was reclassified to deposits and deferred revenues on the fiscal year 2007 Statement of Financial Position. The asset retirement obligation represents the estimated requirement for handling and disposing of asbestos, and is recognized in accordance with the Financial Accounting Standards Board Financial Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*. The corresponding asset retirement costs are capitalized as part of the carrying values of the related long-lived assets.



Statements of Activities Highlights

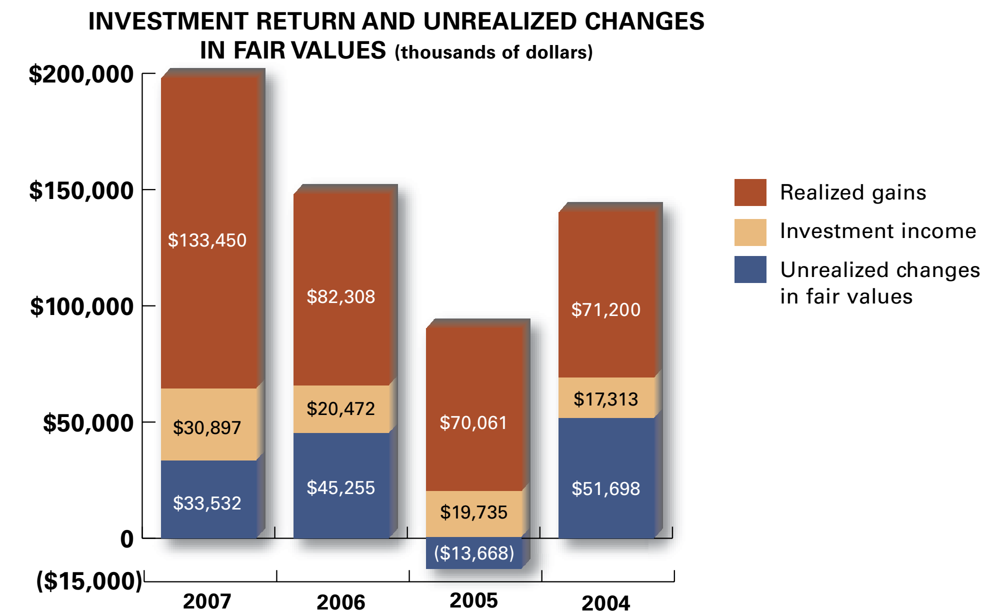
Total revenues for the fiscal year ended June 30, 2007 increased to $782.2 million, an 8.6% increase. The component percentages of total revenues for fiscal year 2007 have remained relatively comparable to the component percentages for fiscal year 2006. The revenue components for the past four fiscal years are presented in the chart below:



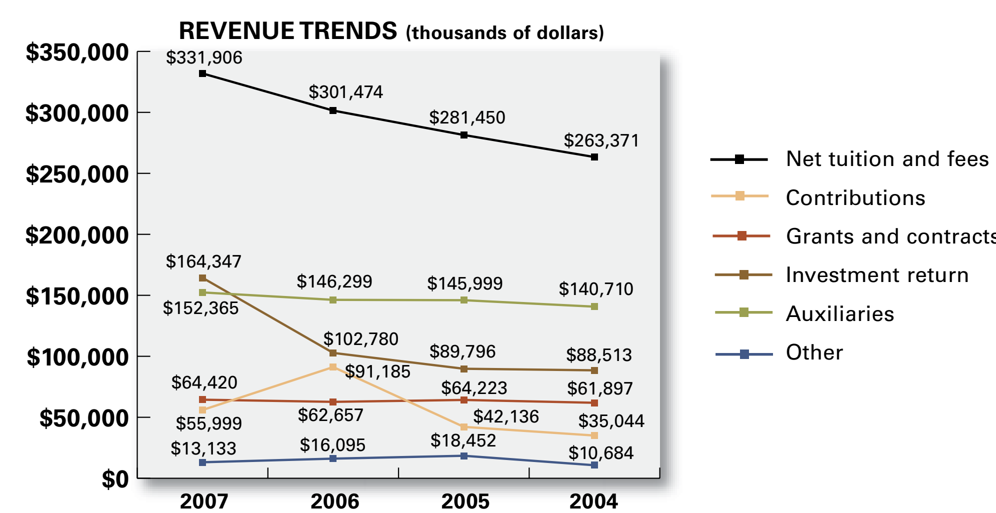
Investment return increased to $164.3 million, a 60% increase from the prior fiscal year, and included investment income totaling $30.9 million and realized gains totaling $133.5 million. Investment income increased approximately 51% from fiscal year 2006 as a result of larger distributions from private equity funds. Realized gains increased approximately 62% from fiscal year 2006 as a result of the liquidation of the University's fund-of-funds hedge fund managers, as well as from larger distributions from private equity funds during the year. The investments with fund-of-funds managers were liquidated to accommodate direct investment of those monies with individual hedge fund managers selected by the University's Investment and Endowment Committee.

Unrealized changes in fair values of investments increased to $34.0 million, a 38.5% increase. The unrealized changes in fair values of interest rate swap agreements and foreign currency forward contracts decreased to an unrealized loss of ($.5) million from a fiscal year 2006 unrealized gain of $20.7 million.

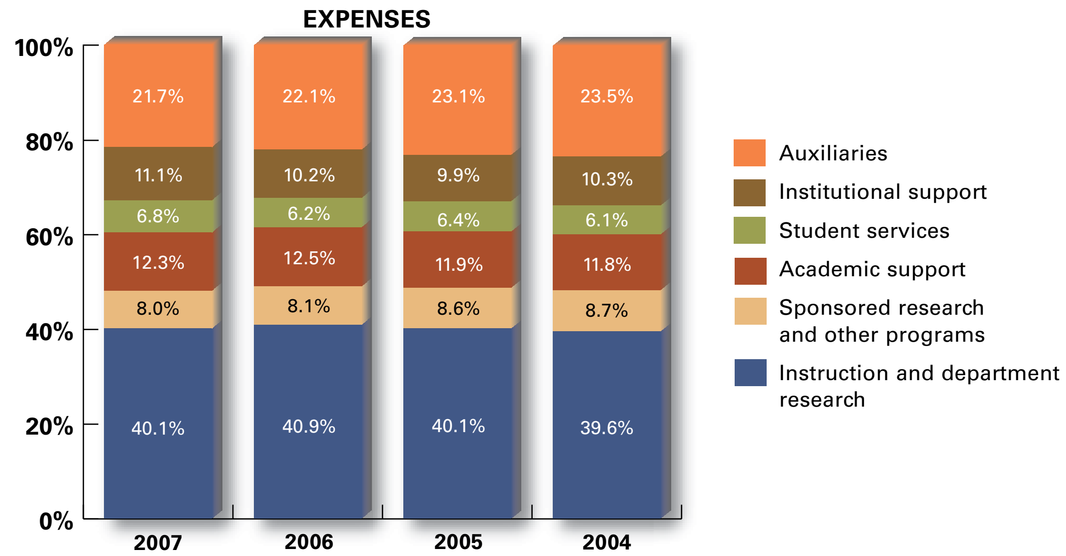
Investment return and unrealized changes in fair values for the past four fiscal years are presented in the chart below:



As exhibited by the Revenue Trends chart below, net tuition and fees revenues and investment return revenues had the most significant increases over the past four fiscal years. All other changes in revenue category trends were relatively modest. The decrease in contributions revenues from fiscal year 2006 to fiscal year 2007 resulted from the University's receipt of a significant matured bequest in fiscal year 2006 with no similar contribution amount received in fiscal year 2007. Auxiliaries revenues increased to $152.4 million, a 4.1% increase, including room and board revenues increases of over 9% resulting from contract rate increases of 5.9% combined with increased enrollments.



As previously noted, while revenues increased 8.6%, expenses increased only 4.1%. A comparison of expense components by functional classification is presented in the chart below. As shown, the classification percentages remained relatively stable over the four year period, with instruction and department research comprising the largest single component, at approximately 40% for each year.



In fiscal year 2007, the University adopted the recognition and disclosure provisions of Financial Accounting Standards Board Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (Statement 158). Statement 158 required recognition of the unfunded portion of the postretirement benefit plan to make the funded status reported on the Statement of Financial Position equal to the benefit obligation. This resulted in a fiscal year 2007 change in accounting principle charge of approximately $1.0 million on the Statement of Activities. The fiscal year 2006 cumulative effect adjustment of a change in accounting principle represents the adoption of Financial Accounting Standards Board Interpretation No. 47.

Recognition

Syracuse University's Business, Finance and Administrative Services division remains committed to conducting business in a fiscally responsible manner in accordance with the highest ethical standards. Outstanding financial planning and management services continue to be important contributors in support of the University's mission and vision. Principal providers of these services include the Administrative Assistant to the Executive Vice President and Chief Financial Officer, Nancy J. Freeman; Comptroller, Rebecca L. Foote; Treasurer, Barbara L. Wells; Budget and Planning Director, Gwenn B. Judge; Audit and Management Advisory Services Director, Stephen G. Colicci; and their excellent staffs.

Louis G. Marcoccia
Executive Vice President and Chief Financial Officer

Management is responsible for the 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 financial statements. Management fulfills its responsibility primarily by establishing and maintaining an internal control structure that is designed to provide reasonable assurance that the University's assets are safeguarded, transactions are executed in accordance with management's authorization, and that the University's financial records may be relied upon for the purpose of preparing financial statements and related disclosures. That system is monitored and assessed by direct management review and by the University's Audit and Management Advisory Services department. In addition, the University recognizes its responsibility for conducting its affairs according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in key policy statements issued from time to time regarding, among other things, conduct of its business activities, a code of ethics for the University's senior financial officers, and disclosure and management of potential conflicts of interest by its trustees and employees. Accordingly, the University maintains programs to assess compliance with those policies.

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

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

Nancy Cantor
Chancellor and President

Louis G. Marcoccia
Executive Vice President and Chief Financial Officer

The Board of Trustees, Syracuse University:

We have audited the accompanying statements of financial position of Syracuse University (the University) as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Syracuse University as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

July 27, 2007

JUNE 30, 2007 AND 2006

In Thousands of Dollars	2007	2006
ASSETS		
Cash and cash equivalents	$ 17,725	$ 21,424
Loaned securities collateral	152,799	67,659
Cash equivalents held by bond trustee	17,821	54,553
Receivables	78,136	88,034
Other assets	32,595	36,806
Loans to students	27,620	25,781
Investments	1,288,303	1,112,390
Land, land improvements, buildings, equipment, and collections	703,572	642,291
TOTAL ASSETS	**$ 2,318,571**	**$ 2,048,938**
LIABILITIES		
Loaned securities	$ 152,799	$ 67,659
Accounts payable and accrued liabilities	85,247	69,518
Deposits and deferred revenues	52,634	50,679
Asset retirement obligations	27,583	26,286
Accrued postretirement benefit obligation	46,244	45,836
Long-term debt	213,457	227,667
Refundable government student loan funds	24,998	25,422
Total liabilities	602,962	513,067
NET ASSETS		
Unrestricted	1,377,268	1,225,603
Temporarily restricted	58,802	49,783
Permanently restricted	279,539	260,485
Total net assets	1,715,609	1,535,871
TOTAL LIABILITIES AND NET ASSETS	**$ 2,318,571**	**$ 2,048,938**

See accompanying notes to financial statements.

YEAR ENDED JUNE 30, 2007

With Comparative Totals for Year Ended June 30, 2006

In Thousands of Dollars	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2006
REVENUES					
Tuition and fees	$ 510,241			$ 510,241	$ 464,534
Less: financial aid	178,335			178,335	163,060
Net tuition and fees	331,906			331,906	301,474
Contributions	16,842	$ 21,676	$ 17,481	55,999	91,185
Grants and contracts	64,420			64,420	62,657
Investment return	164,343		4	164,347	102,780
Auxiliaries	152,365			152,365	146,299
Other	13,133			13,133	16,095
Net assets released from restrictions	17,315	(17,315)		—	—
Total revenues	760,324	4,361	17,485	782,170	720,490
EXPENSES					
Instruction and departmental research	254,801			254,801	249,715
Sponsored research and other programs	50,664			50,664	49,217
Academic support	78,230			78,230	76,067
Student services	42,888			42,888	37,960
Institutional support	70,821			70,821	62,477
Auxiliaries	137,578			137,578	134,592
Total expenses	634,982			634,982	610,028
Increase in net assets before unrealized changes in fair value of investments, interest rate swap agreements, and foreign currency forward contracts	125,342	4,361	17,485	147,188	110,462
Unrealized changes in fair values:					
Investments	27,795	4,658	1,569	34,022	24,558
Interest rate swap agreements and foreign currency forward contracts	(490)			(490)	20,697
Total unrealized changes in fair values	27,305	4,658	1,569	33,532	45,255
Increase in net assets before effects of a change in accounting principle	152,647	9,019	19,054	180,720	155,717
Effect of a change in accounting principle	(982)			(982)	
Cumulative effect of a change in accounting principle					(22,613)
Increase in net assets	151,665	9,019	19,054	179,738	133,104
Net assets at beginning of year	1,225,603	49,783	260,485	1,535,871	1,402,767
NET ASSETS AT END OF YEAR	**$ 1,377,268**	**$ 58,802**	**$ 279,539**	**$ 1,715,609**	**$ 1,535,871**

See accompanying notes to financial statements.

YEAR ENDED JUNE 30, 2006

In Thousands of Dollars	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Tuition and fees	$ 464,534			$ 464,534
Less: financial aid	163,060			163,060
Net tuition and fees	301,474			301,474
Contributions	26,405	$ 17,018	$ 47,762	91,185
Grants and contracts	62,657			62,657
Investment return	102,369	50	361	102,780
Auxiliaries	146,299			146,299
Other	16,095			16,095
Net assets released from restrictions	13,623	(13,623)		—
Total revenues	668,922	3,445	48,123	720,490
EXPENSES				
Instruction and departmental research	249,715			249,715
Sponsored research and other programs	49,217			49,217
Academic support	76,067			76,067
Student services	37,960			37,960
Institutional support	62,477			62,477
Auxiliaries	134,592			134,592
Total expenses	610,028			610,028
Increase in net assets before unrealized changes in fair values of investments, interest rate swap agreements, and foreign currency forward contracts	58,894	3,445	48,123	110,462
Unrealized changes in fair values:				
Investments	23,385	969	204	24,558
Interest rate swap agreements and foreign currency forward contracts	20,697			20,697
Total unrealized changes in fair values	44,082	969	204	45,255
Increase in net assets before cumulative effect of a change in accounting principle	102,976	4,414	48,327	155,717
Cumulative effect of a change in accounting principle	(22,613)			(22,613)
Increase in net assets	80,363	4,414	48,327	133,104
Net assets at beginning of year	1,145,240	45,369	212,158	1,402,767
NET ASSETS AT END OF YEAR	**$ 1,225,603**	**$ 49,783**	**$ 260,485**	**$ 1,535,871**

See accompanying notes to financial statements.

YEARS ENDED JUNE 30, 2007 AND 2006

In Thousands of Dollars	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 179,738	$ 133,104
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Effect of a change in accounting principle	982	
Cumulative effect of a change in accounting principle		22,613
Depreciation and amortization	40,217	40,783
Realized gains and unrealized change in fair value	(166,982)	(127,563)
Gifts of property and equipment	(5,768)	(6,501)
Contributions restricted for investment	(51,747)	(30,468)
Net change in operating assets and liabilities:		
Receivables	9,898	(38,812)
Other assets	3,549	6,402
Accounts payable and accrued liabilities	15,729	1,499
Deposits and deferred revenues	(11,545)	3,346
Asset retirement obligations	1,297	2,343
Accrued postretirement benefit obligation	(574)	2,059
Net cash provided by operating activities	14,794	8,805
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans to students	(8,592)	(5,920)
Repayment of loans by students	6,753	8,028
Purchases of investments	(1,025,672)	(764,087)
Sales and maturities of investments	1,017,211	781,408
Purchases of land, land improvements, buildings, equipment, and collections	(95,538)	(81,677)
Net cash used in investing activities	(105,838)	(62,248)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for investment	51,747	30,468
Proceeds from issuance of long-term debt		80,000
Change in cash equivalents held by bond trustee	36,732	(54,553)
Reduction of long-term debt	(710)	(1,384)
Decrease in refundable government student loan funds	(424)	(591)
Net cash provided by financing activities	87,345	53,940
Net (decrease) increase in cash and cash equivalents	(3,699)	497
Cash and cash equivalents at beginning of year	21,424	20,927
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 17,725**	**$ 21,424**
NON-CASH ACTIVITY		
Interest paid	$ 5,661	$ 4,888
Conversion of mortgage to deferred revenues	$ 13,500	

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared using accrual accounting, and include the accounts of Syracuse University, Syracuse University (USA) London Program, Drumlins, Inc., Syracuse University Press Inc., and Syracuse University Hotel and Conference Center LLC.

Certain amounts for fiscal year 2006 have been reclassified to conform to the fiscal year 2007 presentation.

(b) Net Asset Classes

The accompanying financial statements present information regarding the University's financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets are not subject to donor stipulations restricting their use but may be designated for specific purposes by the University or may be limited by contractual agreements with outside parties.

Temporarily restricted net assets are subject to donor stipulations that expire by the passage of time or can be fulfilled or removed by actions pursuant to the stipulations.

Permanently restricted net assets are subject to donor stipulations requiring that they be maintained permanently.

(c) Contributions

Contributions, including unconditional pledges, are recognized as revenues when donors' commitments are received. Conditional pledges become unconditional and are recognized as revenues when the conditions are substantially met. Unconditional pledges, net of an allowance for uncollectible amounts, are recognized 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 contribution revenues.

(d) Cash and Cash Equivalents

Investments acquired with a maturity date of three months or less are reported as cash equivalents, unless they are part of long-term investment funds.

(e) Loans to Students

Loans to students are reported net of an allowance for doubtful accounts of $1.0 million at June 30, 2007 and 2006.

(f) Investments

Investments are recorded at 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 such as hedge funds and private equity, which are valued using current estimates of fair value in the absence of readily determinable public market values. Such valuations generally reflect discounts for liquidity and consider variables such as financial performance of investments, including comparison of comparable companies' earning multiples, cash flow analysis, recent sales prices of investments, and other pertinent information. The estimates of fair values, because of the inherent uncertainty of valuation for these investments, may differ from the values that would have been used had a ready market existed. The University believes the carrying amounts of these financial instruments are reasonable estimates of fair value.

The University manages long-term investments using the total return concept. The endowment spending policy is designed to stabilize annual spending levels and to preserve the purchasing power of endowment assets.

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

Land, land improvements, buildings, equipment, and the library collection are stated at cost or fair value at date of donation, exclusive of the library's special collection, which is recorded at the University's estimate. The art collection is recorded at a capitalized appraised value adjusted for subsequent fair value additions and deletions. 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.

(h) Allocation of Certain Expenses

The statement of activities presents 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.

(i) Fair Value of Financial Instruments

At June 30, 2007 and 2006, the carrying values of the University's cash and cash equivalents, receivables, other assets, accounts payable and accrued liabilities, and deposits and deferred revenues approximate their fair values based on their short-term maturities. An approximate estimate of the fair values of student receivables administered by the University under federal government loan programs is not practical because the receivables can only be assigned to the U.S. government or its designees.

(j) Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the preparation of these financial statements include valuation of investments at fair value, estimated net realizable value of receivables, asset retirement obligations, and actuarially determined employee benefit and self-insurance liabilities. Actual results could differ from estimates.

(k) Tax Status

The University and Syracuse University Press, Inc. are tax-exempt organizations as described in Section 501(c)(3) of the Internal Revenue Code and are generally exempt from income taxes pursuant to Section 501(a) of the Internal Revenue Code. Syracuse University Hotel and Conference Center LLC, wholly owned by the University, is reported in the University's tax filings. Drumlins, Inc. is a taxable subsidiary of the University, filing its own tax returns. The income tax consequences, if any, from these entities are reflected in the financial statements but do not have a material effect, individually or in the aggregate, upon the University's financial statements. The Syracuse University (USA) London Program, created for the advancement of education, is a registered charity under the laws of England and, in accordance with U.S. generally accepted accounting principles, is included in the University's financial statements.

(l) Recently Issued Accounting Standards

Effective June 30, 2007, the University adopted the recognition and disclosure provisions of Financial Accounting Standards Board (FASB) Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (Statement 158). Statement 158 requires the University to recognize the unfunded status of the postretirement benefit plan in unrestricted net assets apart from expenses to the extent those changes are not included in the net periodic cost. The funded status reported on the statements of financial position as of June 30, 2007 is equal to the benefit obligation. The University recorded the effect of a change in accounting principle of approximately $1.0 million in the statement of activities for the fiscal year ended June 30, 2007.

In March 2005, FASB issued Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47), which requires a conditional asset retirement obligation to be recognized if a legal obligation exists to perform asset retirement activities and a reasonable estimate of fair value of the obligation can be made. FIN 47 guidance also defines when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. The University adopted the provisions of FIN 47 in fiscal year 2006 and recorded a noncash charge for the cumulative effect of a change in accounting principle of $22.6 million in the statement of activities for the year ended June 30, 2006.

(2) Receivables

The following is a summary of accounts receivable, pledges receivable, and matured bequests receivable at June 30, 2007 and 2006 (in thousands of dollars):

	2007	2006
Accounts receivable	$ 29,152	$ 27,677
Pledges receivable	50,276	42,540
Matured bequests receivable	7,364	28,002
	86,792	98,219
Allowance for doubtful accounts	(8,656)	(10,185)
Total	**$ 78,136**	**$ 88,034**

Unconditional pledges and matured bequests at June 30, 2007 and 2006 are restricted by donors predominantly for scholarships and other operating purposes. They are expected to be realized in the following periods (in thousands of dollars):

	2007	2006
Less than one year	$ 22,279	$ 41,011
One year to five years	24,907	18,125
More than five years	27,518	26,032
	74,704	85,168
Allowance for uncollectibility	(4,434)	(4,746)
Present value discount	(17,064)	(14,626)
Total	**$ 53,206**	**$ 65,796**

The discount rates used to present value the pledges range from 3.875% to 6.0%.

Conditional promises, which depend on the occurrence of a specified future and uncertain event, are recognized when the conditions are substantially met. Total conditional pledges for the University were approximately $15.7 million as of June 30, 2007. No amounts have been recorded as contribution revenue for conditional promises.

(3) Investments

Fair values of the University's investments as of June 30, 2007 and 2006 are summarized in the following table (in thousands of dollars):

Asset Classes	2007	2006
U.S. equity	$ 418,512	$ 360,430
Non-U.S. equity	278,059	221,183
Fixed income	258,658	267,571
Hedge funds	99,951	88,772
Private equity	212,859	156,838
Funds held or administered by others	20,264	17,596
Total	**$1,288,303**	**$1,112,390**

Included in the above table of investments are approximately $312.8 million and $245.6 million at June 30, 2007 and 2006, respectively, of investments whose carrying values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based upon information provided by the fund managers or general partners.

Within each asset class, the University achieves diversification through allocations to several investment strategies and market capitalizations.

At June 30, 2007, the University has investment commitments to private equity partnerships of approximately $225.7 million. The expected capital call amounts for the next five fiscal years are summarized in the table below (in thousands of dollars).

Fiscal Year	Expected capital calls
2008	$ 75,059
2009	70,655
2010	44,480
2011	21,670
2012	13,820
Total	**$ 225,684**

At June 30, 2007, the University has hedge fund investments of approximately $100.0 million, of which $95.5 million is restricted from redemption for lock up periods. At June 30, 2006, no investments were restricted from redemption. Some of the hedge fund investments with redemption restrictions allow early redemption for specified fees. The expiration of redemption lock up period amounts for the next four years are summarized in the table below (in thousands of dollars):

Fiscal Year	Amount
2008	$ 30,500
2009	24,500
2010	29,750
2011	10,750
Total	**$ 95,500**

Investment income and realized gains (losses) on the University's investments are summarized in the table below (in thousands of dollars):

	2007			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment income	$ 30,893	$	$ 4	$ 30,897
Realized gains	133,450			133,450
Total	**$ 164,343**	**$**	**$ 4**	**$ 164,347**

	2006			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment income	$ 20,057	$ 50	$ 365	$ 20,472
Realized gains (losses)	82,312		(4)	82,308
Total	**$ 102,369**	**$ 50**	**$ 361**	**$ 102,780**

Netted in investment income are investment management fees of $6.5 million and $5.9 million in fiscal year 2007 and 2006, respectively.

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

The following is a summary of land, land improvements, buildings, equipment, and collections at June 30, 2007 and 2006 (in thousands of dollars):

	2007	2006
Land and land improvements	$ 58,416	$ 56,807
Buildings and building equipment	966,514	879,743
Equipment	74,026	72,717
Library and art collections	191,312	191,829
	1,290,268	1,201,096
Accumulated depreciation	(586,696)	(558,805)
Total	**$ 703,572**	**$ 642,291**

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 subsequently 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. The net book values of the University's related assets are approximately $1.7 million and $2.0 million at June 30, 2007 and 2006, respectively.

(5) Long-Term Debt

Long-term debt outstanding at June 30, 2007 and 2006 is set forth below (in thousands of dollars):

	Year of maturity	2007	2006
Industrial Development Agency—Civic			
Facility Variable Rate Revenue Bonds:			
Series 1999A and 1999B (a)	2030	$ 120,000	$ 120,000
Series 2005A and 2005B (b)	2036	80,000	80,000
New York State Urban Development Corporation—			
Mortgage Payable (c)			13,500
Bank Loan (d)	2022	13,310	13,970
Other (e)	2010	147	197
Total		**$ 213,457**	**$ 227,667**

(a) Periodic Auction Reset Securities (PARS) bonds that have their interest rates set at weekly auctions. The interest rates at June 30, 2007 and 2006 were 3.50% and 3.65%, respectively, for Series 1999A, and 3.30% and 3.70%, 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) PARS bonds that have their interest rates set at weekly auctions. The interest rates at June 30, 2007 and 2006 were 3.50% and 3.70%, respectively, for Series 2005A, and 3.40% and 3.70%, respectively, for Series 2005B. 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, 2035, the maturity date of the bonds.

(c) In 2007, the University received confirmation from the Empire State Development Corporation that the University's mortgage obligation was forgiven, and from the New York State Foundation for Science, Technology and Innovation Board that the University's plans for high tech economic development investment in the Syracuse region of an amount equal to the mortgage obligation forgiven was approved. As a result, the University reclassified long-term debt to deferred revenues. The long-term debt was an interest-free mortgage amortized at the rate of $675,000 annually and collateralized by the University's Science and Technology facility.

(d) Syracuse University Hotel and Conference Center LLC has a loan agreement with JPMorgan Chase Bank, N.A. that is guaranteed by the University, and bears interest at a rate per annum equal to the adjusted LIBOR rate for the applicable interest period plus 0.46% and 0.55% at June 30, 2007 and 2006, respectively. At June 30, 2007 and 2006, the interest rates were 5.835% and 5.675%, respectively.

(e) Interest-free loan issued by the New York State Power Authority for the University's energy conservation projects.

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

Fiscal Year	Principal
2008	$ 709
2009	709
2010	709
2011	660
2012	660
Thereafter	210,010
Total	**$ 213,457**

Fiscal year 2007 interest and commission expense, net of capitalized interest of $1.5 million, totaled $4.2 million.

(6) Interest Rate Swap Agreements and Foreign Currency Forward Contracts

The University and the Syracuse University Hotel and Conference Center LLC have entered into interest rate swap agreements to fix interest rates to reduce exposure to interest rate fluctuations. There is no requirement to collateralize the obligations under the swap agreements. Under the agreements, the counterparties pay a variable interest rate equal to 68% of the one-month LIBOR rate.

The University pays two counterparties an average fixed interest rate of 3.676% on total notional amounts of $200.0 million as of June 30, 2007 and 2006 that relate to its variable rate revenue bonds. The Syracuse University Hotel and Conference Center LLC pays one counterparty a fixed interest rate of 5.303% on notional amounts of $13.3 million and $14.0 million as of June 30, 2007 and 2006, respectively, that relate to its loan with JPMorgan Chase Bank, N.A..

At June 30, 2007 and 2006, the fair values of the University's swap agreements are $9.1 million and $9.3 million, respectively, and the fair values of the Syracuse University Hotel and Conference Center LLC swap agreement are $.8 million and $1.0 million, respectively. The totals of $9.9 million and $10.3 million are included in other assets at June 30, 2007 and 2006, respectively.

The decrease of $.3 million and the increase of $19.3 million in the fair values of the interest rate swap agreements are included in the unrealized changes in fair values of interest rate swap agreements and foreign currency forward contracts for the years ended June 30, 2007 and 2006, respectively. The net cash income of $.2 million received and net cash payments of $1.0 million made under the interest rate swap agreements are included in interest expense at June 30, 2007 and 2006, respectively.

At June 30, 2007 and 2006, the University has commitments for foreign currency forward contracts of approximately $23.4 million and $20.2 million, respectively, to manage exchange rate risks for its programs abroad. The decrease of $.2 million and the increase of $1.4 million in the changes in fair values of foreign currency forward contracts are included in the unrealized changes in fair values of interest rate swap agreements and foreign currency forward contracts for the year ended June 30, 2007 and 2006, respectively.

(7) Temporarily and Permanently Restricted Net Assets

At June 30, 2007 and 2006, temporarily and permanently restricted net assets are comprised as follows (in thousands of dollars)

	2007		2006	
	Temporarily restricted	Permanently restricted	Temporarily restricted	Permanently restricted
Pledges and bequests receivable	$ 33,803	$ 19,437	$ 29,624	$ 36,206
Other	843	1,324	2,520	891
Funding for facilities	3,296		1,230	
Funding for student loans		3,087		2,962
Life income, annuity, and similar funds	3,780	5,671	3,025	5,166
Endowment funds	17,080	250,020	13,384	215,260
Total net assets	**$ 58,802**	**$ 279,539**	**$ 49,783**	**$ 260,485**

(8) Retirement Plans

Certain full-time and regular part-time employees of the University are eligible for the University's defined contribution plan. The amounts contributed by the University to the Teachers Insurance and Annuity Association and College Retirement Equities Fund in fiscal years 2007 and 2006 were approximately $25.3 million and $24.3 million, respectively.

The University also provides health and life insurance benefits for eligible employees upon retirement at the University's early or normal retirement ages. Effective June 30, 2007, the

University adopted FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (Statement 158). Information with respect to the plans is as follows (in thousands of dollars):

	2007	2006
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	$ 48,165	$ 47,013
Service cost	2,944	4,206
Interest cost	2,593	2,505
Plan participants' contributions	456	531
Actuarial gain	(4,368)	(2,707)
Benefits paid	(3,681)	(3,459)
Medicare Part D prescription drug federal subsidy	135	76
Benefit obligation at end of year	**$ 46,244**	**$ 48,165**
Unrecognized actuarial loss		(20,810)
Unrecognized prior service credit		18,481
Accrued postretirement benefit obligation	**$ 46,244**	**$ 45,836**

Net periodic postretirement benefit cost reported as expense in the statements of activities includes the following components (in thousands of dollars):

	2007	2006
Service cost	$ 2,944	$ 4,206
Interest cost	2,593	2,505
Amortization of net actuarial loss	1,019	2,239
Amortization of prior service credit	(4,040)	(4,040)
Net periodic postretirement benefit cost	**$ 2,516**	**$ 4,910**

For measurement purposes, a 7% and a 10% annual rate of increase in the per capita cost of covered healthcare and prescription drug benefits, respectively, was assumed as of June 30, 2007. The rates were assumed to decrease to 5.0% for healthcare by 2012 and for prescription drug benefits by 2014 and remain at that level 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	$ 432	$ (593)
Effect on postretirement benefit obligation	$ 2,920	$ (3,877)

Weighted average assumptions used to determine benefit obligations and net periodic postretirement benefit costs for 2007 and 2006 were as follows:

	2007		2006	
	Benefit obligations	Net periodic postretirement benefit costs	Benefit obligations	Net periodic postretirement benefit costs
Discount rate	6.10%	6.25%	6.25%	5.00%
Rate of compensation increase	None	None	None	None

Contributions to the postretirement benefit plans, net of employee contributions and the Medicare subsidy, are estimated to be $3.2 million for fiscal year 2008.

The net benefits expected to be paid in each fiscal year from 2008 through 2012 are approximately $3.3 million. The expected benefits are based on the same assumptions used to measure the University's benefit obligation at June 30, 2007 and include estimated future employee service.

At June 30, 2007, the items not yet recognized as a component of net periodic postretirement benefit cost are as follows (in thousands of dollars):

Net actuarial losses	$ 15,423
Prior service credits	(14,441)
Total unamortized items	**$ 982**

The $982,000 appears on the fiscal year 2007 statement of activities as the effect of a change in accounting principle decreasing unrestricted net assets.

In addition to service and interest costs, the components of projected net periodic postretirement benefit cost for fiscal 2008 are amortization of prior service credit of approximately $4.0 million and amortization of actuarial losses of approximately $1.0 million.

The effects of applying Statement 158 on the University's financial position as of June 30, 2007 were as follows (in thousands of dollars):

	Before Statement 158	After Statement 158
Accrued postretirement benefit obligation	$ 45,262	$ 46,244
Total liabilities	$ 601,980	$ 602,962
Total net assets	$ 1,716,591	$ 1,715,609

(9) 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 financial statements.

The University has a Guaranteed Mortgage Program, which facilitates home ownership by University faculty and staff in neighborhoods immediately east and south of the main campus and in a section of downtown Syracuse. The University will guarantee a mortgage loan to qualified faculty or staff in the amount of the purchase price for the home until such time as the loan to value ratio falls below 75%, using the value of the home at the time the loan is closed. Mortgages guaranteed by the University at June 30, 2007 and 2006 had aggregate principal amounts of approximately $6.5 million and $7.7 million, respectively. No lending institution has sought payment from the University on any mortgage guaranteed by the University. However, if the University were to pay on a guaranty, the University would receive an assignment of the note and mortgage.

The Syracuse University (USA) London Program leases a building in London, England. The lease commenced in fiscal year 2006 and has a term of 20 years. The current annual rent is approximately $1.1 million, and is subject to change at specific times during the lease term. The London Program holds options to extend the lease term for two five-year periods. The University is guarantor of the lease obligations of the London Program.

The University had letters of credit aggregating $9.5 million at June 30, 2007 and 2006 covering potential claims under the University's workers' compensation plan and there were no outstanding amounts against the letters of credit.