SYRACUSE

2001 FINANCIAL REPORT

SYRACUSE UNIVERSITY

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MISSION:

To promote learning through teaching, research, scholarship, creative accomplishment, and service.

VISION:

To be the leading student-centered research university with faculty, students, and staff sharing responsibility and working together for academic, professional, and personal growth.

As I celebrate my 10th year at Syracuse University, I've taken some time to look back over the past decade. The period began in a time when an economic downturn combined with a drop in the number of traditional, college-bound students. Higher education institutions across the country were forced to make hard choices to survive. Many cut budgets across the board; others simply hoped for better times.

But very few did what Syracuse did: Make strategic budget cuts to deal with a projected $66 million shortfall while simultaneously launching initiatives to shore up areas of strength and thereby improve the institution.

Today, Syracuse University has grown in virtually every positive direction possible. The academic profile of each incoming class is higher in quality than the previous one. Facilities improvements permit the faculty to teach more effectively and to create new knowledge more efficiently. Alumni and friends of the University are more generous than ever before.

And Syracuse stands on more solid financial ground than it has in many, many decades. The recently completed Commitment to Learning campaign earned $373 million, an unprecedented fund drive and fully $73 million beyond its original goal.

The endowment has grown by 350 percent in the past 10 years, thanks to a robust economy, sound investments, and increased giving. Cash and investments have more than doubled to approximately $1 billion. The health of the endowment has made more than $30 million in earnings available for annual expenditure–four times what it was 10 years ago.

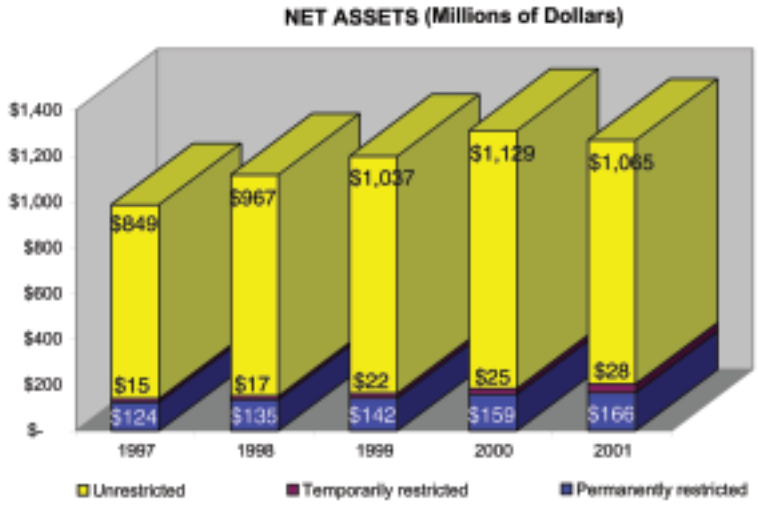
There are legions of people to thank for this very happy turn of events. They can be characterized by one simple phrase; they are people who genuinely love this University. I am truly grateful.

Kenneth A. Shaw
Chancellor and President

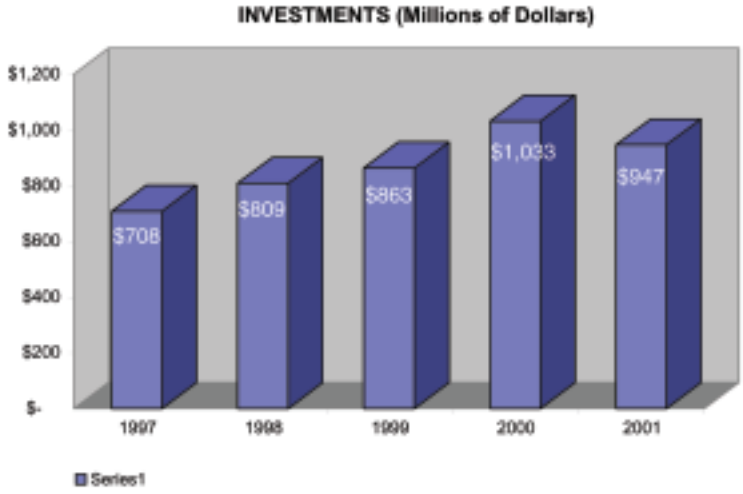
At June 30, 2001 net assets are $1.3 billion and investments have a fair value of nearly $950 million.

The June 30 balance for each class of net assets for the five most recently completed fiscal years is set forth below:

Louis G. Marcoccia
Senior Vice President for Business, Finance, and Administrative Services

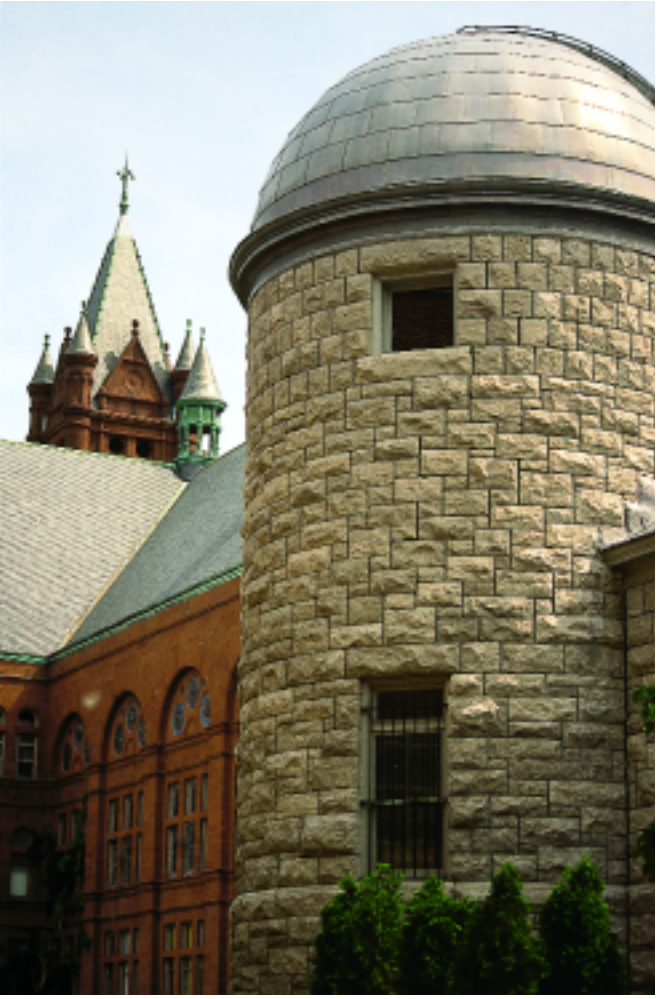


The total fair value of investments at June 30 for the five most recently completed fiscal years is presented below:



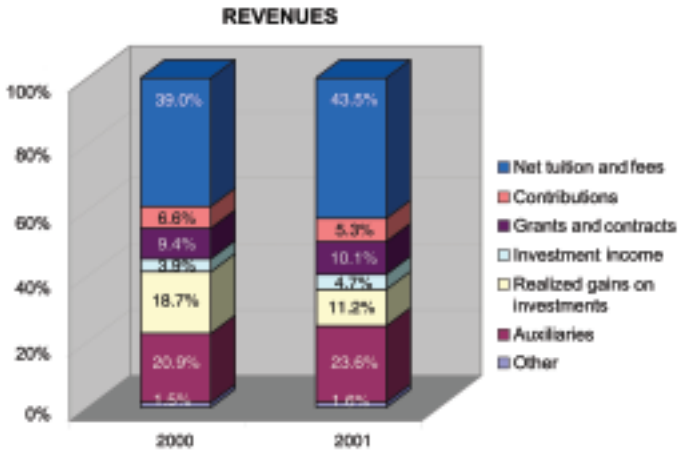
The asset allocation of investments at fair value at June 30, 2001, was 34.7% fixed income, 61.9% equities, 2.2% cash with bond trustee, and 1.2% assets held by others.

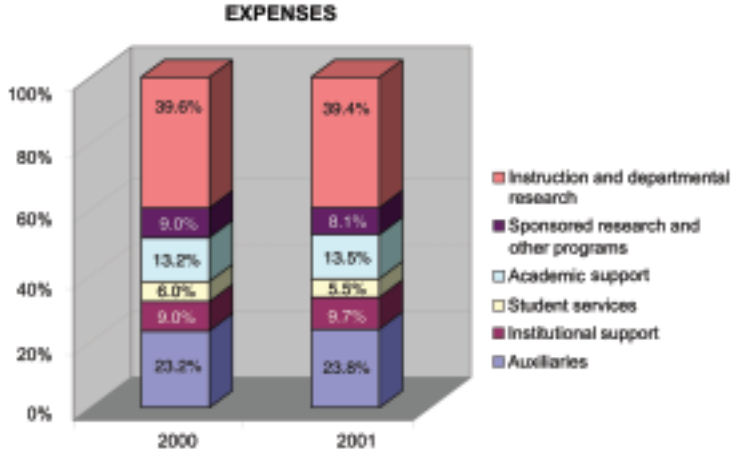
During fiscal 2001, the University increased its pooled long-term investment distribution per unit by 6.7% to $20.37 per unit and it plans to increase the distribution per unit by approximately 8.5% for fiscal 2002.



Fiscal 2001 was another positive year of well planned and controlled spending and achievement of a strengthened University financial position.

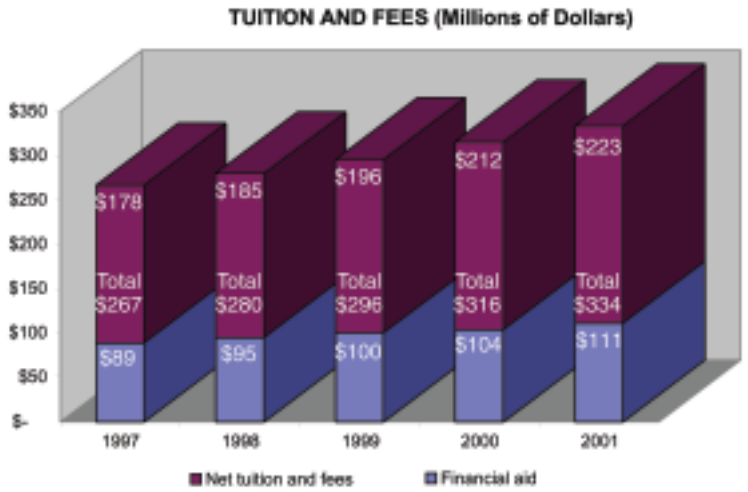
For fiscal 2001 and 2000 the revenue amounts as percentages of total revenues, and the expense amounts as percentages of total expenses, were as follows:





Tuition and fees totaled $334.0 million. Financial aid as a percentage of tuition and fees increased by .2% to 33.2%, and current year net tuition and fees represented 55.8% of the University's total revenues.

Tuition and fees and related financial aid for the five most recently completed fiscal years are illustrated below:



During fiscal 2001, the net negative total of realized gains and of the unrealized change in fair value of University investments was approximately $55.6 million.

For fiscal 2002, the University's operating budget is expected to increase by approximately 4.7% from its fiscal 2001 operating budget.

Capitalized land, land improvements, building (including capitalized interest), and equipment expenditures (including capitalized computer software) totaled approximately $62.4 million, and included spending for renovation of Watson Theatre Complex Student Media Center; construction of Tennity Ice Skating Pavilion and Manley Field House team wing addition; functional improvements in the Center for Science and Technology, Link Hall, and Heroy Hall laboratories, 400 Ostrom Avenue, Henry Center, 804 University Avenue, Steele Hall, Tolley Administration Building, Sims Hall Public Safety Offices, Physics Building, Crouse-Hinds School of Management Building, Smith Hall, Hendricks Chapel, Schine Student Center Bookstore, Schine Student Services Offices, Slocum Hall, Huntington

Beard Crouse Hall, Eggers Hall, S.I. Newhouse School of Public Communications; renewals of Skytop II Apartments and Brockway Dining Hall; roof replacement and preventive maintenance in Huntington Hall, Carnegie Hall, Hendricks Chapel, Women's Building, Dellplain Hall, Goldstein Alumni and Faculty Center, Schine Student Center Bookstore, Day Hall, Slocum Heights, Brockway Hall, Brewster Hall, and Skytop II Apartments; structural and exterior masonry maintenance in Crouse College, Goldstein Alumni and Faculty Center, Slocum Heights, Carrier Dome, Smith Hall, and parking garages; underground electric service and high-speed network connections in Skyhalls and Skytop II Apartments; student room lighting upgrades in Day Hall; mechanical and utility systems upgrades on South Campus, Watson Hall, Carnegie Hall, Brewster Hall, Boland Hall, Newhouse I, Manley Field House arena, Physical Plant, Maxwell Hall, Henry Center, Comart Building, and Bird Library; installation of central air conditioning in Huntington Hall; and replacement of steam lines serving Brewster/Boland/Brockway Halls, Women's Building, and Bowne Hall.

The University's fiscal 2001 financial statements and auditors' certification were completed in two weeks, and the University won a national award in NACUBO's 2001 Higher Education Awards Program for process enhancements made by the Comptroller's Office to the University's financial reporting process.

Outstanding financial management services in support of the University's mission and vision are provided by the University's Comptroller, William F. Patrick; Associate Comptrollers, James M. Crimmer, Leonard M. Granozio, and Robert F. Hartley; Treasurer, Barbara L. Wells; Budget and Planning Director, John B. Hogan; and their excellent staffs.

Louis G. Marcoccia
Senior Vice President for Business, Finance,
and Administrative Services

To the Board of Trustees
Syracuse University

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of activities and cash flows present fairly, in all material respects, the financial position of Syracuse University as of June 30, 2001 and 2000, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. 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 of these statements in accordance with auditing standards generally accepted in the United States of America, which 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 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Syracuse, New York
July 13, 2001

JUNE 30, 2001 AND 2000

Thousands of Dollars	2001	2000
ASSETS		
Cash and cash equivalents	$ 22,583	$ 17,233
Accounts receivable (less allowance for doubtful accounts of $6.6 million and $6.4 million for 2001 and 2000, respectively)	14,499	16,373
Pledges and bequests receivable	19,146	21,138
Inventories and other assets	18,894	17,969
Loans to students (less allowance for doubtful accounts of $1.0 million for 2001 and 2000, respectively)	26,481	26,267
Investments	946,669	1,033,407
Land, land improvements, buildings, equipment, and collections	513,286	476,975
TOTAL ASSETS	**$ 1,561,558**	**$ 1,609,362**
LIABILITIES		
Accounts payable and accrued liabilities	$ 62,341	$ 62,922
Deposits and deferred revenues	45,902	40,270
Accrued postretirement benefits	30,202	27,903
Refundable government loan funds	25,045	24,448
Long-term debt	139,183	140,507
Total liabilities	302,673	296,050
NET ASSETS		
Unrestricted	1,065,082	1,129,442
Temporarily restricted	27,548	25,343
Permanently restricted	166,255	158,527
Total net assets	1,258,885	1,313,312
TOTAL LIABILITIES AND NET ASSETS	**$ 1,561,558**	**$ 1,609,362**

The accompanying notes are an integral part of the financial statements.

YEAR ENDED JUNE 30, 2001
With Comparative Totals for Year Ended June 30, 2000

Thousands of Dollars	Unrestricted	Temporarily Restricted	Permanently Restricted	2001 Total	2000 Total
REVENUES					
Tuition and fees	$ 334,045			$ 334,045	$ 316,062
Less: Financial aid	110,778			110,778	104,242
Net tuition and fees	223,267			223,267	211,820
Contributions	20,140	$ 515	$ 6,471	27,126	35,974
Grants and contracts	51,642			51,642	51,223
Investment income	22,455	669	709	23,833	21,337
Realized gains on investments	57,229		504	57,733	102,104
Auxiliaries	121,447			121,447	113,317
Other	5,776	2,601		8,377	7,960
Total revenues	501,956	3,785	7,684	513,425	543,735
EXPENSES					
Instruction and departmental research	178,731			178,731	163,854
Sponsored research and other programs	36,692			36,692	37,148
Academic support	61,939			61,939	55,590
Student services	24,826			24,826	24,965
Institutional support	44,482			44,482	37,096
Auxiliaries	107,804			107,804	95,274
Total expenses	454,474			454,474	413,927
Increase in net assets before unrealized change in fair value of investments	47,482	3,785	7,684	58,951	129,808
Unrealized change in fair value of investments	(111,842)	(1,580)	44	(113,378)	(17,737)
Increase (decrease) in net assets	(64,360)	2,205	7,728	(54,427)	112,071
Net assets at beginning of year	1,129,442	25,343	158,527	1,313,312	1,201,241
NET ASSETS AT END OF YEAR	**$1,065,082**	**$27,548**	**$166,255**	**$1,258,885**	**$1,313,312**

The accompanying notes are an integral part of the financial statements.

YEAR ENDED JUNE 30, 2000

Thousands of Dollars	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Tuition and fees	$ 316,062			$ 316,062
Less: Financial aid	104,242			104,242
Net tuition and fees	211,820			211,820
Contributions	18,870	$ 4,847	$ 12,257	35,974
Grants and contracts	51,223			51,223
Investment income	19,150	1,518	669	21,337
Realized gains on investments	98,316		3,788	102,104
Auxiliaries	113,317			113,317
Other	10,992	(3,032)		7,960
Total revenues	523,688	3,333	16,714	543,735
EXPENSES				
Instruction and departmental research	163,854			163,854
Sponsored research and other programs	37,148			37,148
Academic support	55,590			55,590
Student services	24,965			24,965
Institutional support	37,096			37,096
Auxiliaries	95,274			95,274
Total expenses	413,927			413,927
Increase in net assets before unrealized change in fair value of investments	109,761	3,333	16,714	129,808
Unrealized change in fair value of investments	(17,478)	(209)	(50)	(17,737)
Increase in net assets	92,283	3,124	16,664	112,071
Net assets at beginning of year	1,037,159	22,219	141,863	1,201,241
NET ASSETS AT END OF YEAR	**$ 1,129,442**	**$ 25,343**	**$ 158,527**	**$1,313,312**

The accompanying notes are an integral part of the financial statements.

YEARS ENDED JUNE 30, 2001 AND 2000

Thousands of Dollars	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	$ (54,427)	$ 112,071
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	33,198	29,941
Realized gains on investments	(57,733)	(102,104)
Unrealized change in fair value of investments	113,378	17,737
Gifts of property and equipment	(1,742)	(2,045)
Contributions restricted for investment	(6,954)	(14,887)
Net change in operating assets and liabilities	10,081	3,700
Net cash provided by operating activities	35,801	44,413
CASH FLOWS FROM INVESTING ACTIVITIES		
Student loans	(4,613)	(3,956)
Repayment of student loans	4,399	4,426
Purchases of investments	(1,793,958)	(1,550,128)
Sales and maturities of investments	1,795,098	1,514,761
Purchases of land, land improvements, buildings, equipment, and collections	(67,637)	(62,916)
Net cash used for investing activities	(66,711)	(97,813)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for investment	6,954	14,887
Proceeds from issuance of long-term debt		120,722
Cash with bond trustee	30,033	(50,470)
Payment of long-term debt principal	(1,324)	(31,319)
Government funds for loan programs	597	467
Net cash provided by financing activities	36,260	54,287
Net increase in cash and cash equivalents	5,350	887
Cash and cash equivalents at beginning of year	17,233	16,346
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 22,583**	**$ 17,233**

The accompanying notes are an integral part of the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared using accrual accounting, and include the accounts of Drumlins, Inc., S. U. Press, Inc. and, effective July 1, 2000, the Syracuse University Hotel and Conference Center, LLC.

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. The three classes are differentiated by donor restrictions.

Unrestricted net assets may be designated for specific purposes by the University or may be limited by contractual agreements with outside parties. Unrestricted net assets include operating, plant, and designated plant and endowment funds.

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. Temporarily restricted net assets consist principally of gifts restricted by donors for capital projects and other operating purposes, and unconditional pledges receivable that are not permanently restricted.

Permanently restricted net assets are subject to donor stipulations requiring that they be maintained permanently, thereby restricting the use of principal. Usually, donor stipulations allow part or all of the income earned to be used currently for a designated purpose. Permanently restricted net assets consist principally of permanent endowment principal balances, including unconditional pledges.

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 value, and are classified as either permanently restricted or temporarily restricted. Gifts whose restrictions are met in the same fiscal year as their receipt are combined with unrestricted gifts and reported as unrestricted contribution revenues.

Investments

Investments are recorded using trade date fair values, and are reported at fair value. Revenues from realized gains and the unrealized change in fair value of investments are reported separately in the statements of activities.

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, and ten or one hundred years for collections.

Capitalized net additions to plant assets are reported as asset changes on the statement of financial position. Depreciation expense is included in the statement of activities and allocated to functional classifications based on square footage.

Allocation of Certain Expenses

The statements of activities present expenses by functional classification. Operation and maintenance of plant is allocated based on square footage. Interest expense is allocated to the functional classifications that benefited from the use of the proceeds of the debt.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

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

Loans to Students

The approximate fair value of loans to students is not reported because it is not practicable to determine.

Tax Status

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

2. PLEDGES AND BEQUESTS RECEIVABLE

Unconditional pledges and matured bequests at June 30 are restricted by donors predominately for scholarships and other operating purposes. They are expected to be realized in the following periods (shown at right):

Thousands of Dollars	2001	2000
Less than one year	$ 12,960	$ 14,507
One year to five years	9,958	10,202
More than five years	4,007	5,938
	26,925	30,647
Allowance for uncollectibility	(4,384)	(4,964)
Present value discount	(3,395)	(4,545)
Total	**$ 19,146**	**$ 21,138**

3. INVESTMENTS

The cost and fair value of investments at June 30 is as follows:

	2001		2000	
Thousands of Dollars	Cost	Fair Value	Cost	Fair Value
Fixed income	$ 326,309	$ 328,406	$ 311,490	$ 312,325
Equities	558,714	586,389	517,448	659,647
Cash with bond trustee	20,436	20,436	50,469	50,469
Assets held by others	11,438	11,438	10,966	10,966
Total	**$ 916,897**	**$ 946,669**	**$ 890,373**	**$ 1,033,407**

The University has investment commitments of approximately $75.1 million at June 30, 2001 to private equity partnerships.

At June 30, 2001, the University has approximately $7.8 million of foreign currency contracts that will be used to support its programs abroad.

Other information regarding investments at June 30 is as follows:

	2001	2000
Pooled long-term investments	$ 705.2 million	$ 796.0 million
Unit fair value for long-term investment pool transactions	$ 467.35	$ 525.00
Annual distribution per unit	$ 20.37	$ 19.09
Pooled long-term investment distribution	$ 32.9 million	$ 28.2 million

4. LAND, LAND IMPROVEMENTS, BUILDINGS, EQUIPMENT, AND COLLECTIONS

The following is a summary of land, land improvements, buildings, equipment, and collections at June 30:

Thousands of Dollars	2001	2000
Land and land improvements	$ 42,575	$ 41,338
Buildings and building equipment	652,829	600,330
Equipment	65,430	80,160
Library and art collections	157,481	151,541
	918,315	873,369
Accumulated depreciation	(405,029)	(396,394)
Total	**$513,286**	**$ 476,975**

5. LONG-TERM DEBT

Long-term debt outstanding at June 30 is set forth below:

Thousands of Dollars	Calendar Year of Maturity	Interest Rate	2001	2000
Industrial Development Agency - Civic Facility Variable Rate Revenue Bonds Series 1999A and 1999B (a)	2029	variable	$ 120,000	$ 120,000
New York State Urban Development Corporation - mortgage payable (b)	2026	-	16,875	17,550
Other	various	various	2,308	2,957
Total			**$ 139,183**	**$ 140,507**

(a) The University makes weekly payments of the interest to the bondholders through the trustee. The University, at its option, 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) The mortgage payable is amortized at the rate of $675,000 annually, and is collateralized by the Science and Technology facility.

Aggregate maturities of long-term debt for each of the next five fiscal years are as follows: fiscal 2002 through fiscal 2004 – $1.3 million, fiscal 2005 – $.8 million and fiscal 2006 – $.7 million. In fiscal 2001 interest expense of $4.5 million was incurred, and was offset by interest earned of $1.9 million on the IDA Revenue Bonds proceeds invested by the bond trustee. Of this net amount $1.3 million was capitalized and $1.3 million was expensed. The fair value of the University's long-term debt at June 30, 2001 approximates carrying value.

6. RETIREMENT PLANS

Full-time and regular part-time employees of the University may be 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 2001 and 2000 were approximately $17.3 million and $16.4 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. Information with respect to the plans is as follows:

Thousands of Dollars	2001	2000
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	$ 28,913	$ 26,130
Service cost	1,620	1,500
Interest cost	1,968	1,840
Plan participants' contributions	98	87
Amendments		(789)
Actuarial (gain)/loss	(49)	1,748
Benefits paid	(1,592)	(1,603)
Benefit obligation at end of year	**$ 30,958**	**$ 28,913**
COMPONENTS OF ACCRUED BENEFIT COST		
Funded status	$ 30,958	$ 28,913
Unrecognized prior service cost	(615)	(820)
Unrecognized actuarial net loss	(141)	(190)
Accrued benefit cost	**$ 30,202**	**$ 27,903**
Weighted average discount rate as of June 30	**7.0%**	**7.0%**
COMPONENTS OF NET PERIODIC BENEFIT COST		
Service cost	$ 1,620	$ 1,500
Interest cost	1,967	1,840
Amortization of unrecognized prior service cost	205	204
Net periodic benefit cost	**$ 3,792**	**$ 3,544**

6. RETIREMENT PLANS (Continued)

For measurement purposes, a 7.5% annual rate of increase in the per capita cost of covered health insurance benefits was assumed for fiscal 2001. The rate was assumed to decrease gradually to 5.5% for 2005 and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. Based on actuarial calculations, it is estimated that a one-percentage-point change in the health care trend rates would have the following effects:

Thousands of Dollars	**1–Percentage Point Increase**	**1–Percentage Point (Decrease)**
Effect on total of service and interest cost components	$ 506	$ (441)
Effect on postretirement benefit obligation	$ 3,459	$ (3,076)