SUPPORT PLAN EXPERIENCES

ONE UNIVERSITY

2018

Syracuse University

FINANCIAL REPORT

CREATE RECRUIT

NURTURE ENHANCE

SCHOLARSHIP

Invest Syracuse

DEVELOP EXCELLENCE AID

EXPERIENCES INVESTMENT

CREATIVE WORK STUDY ABROAD

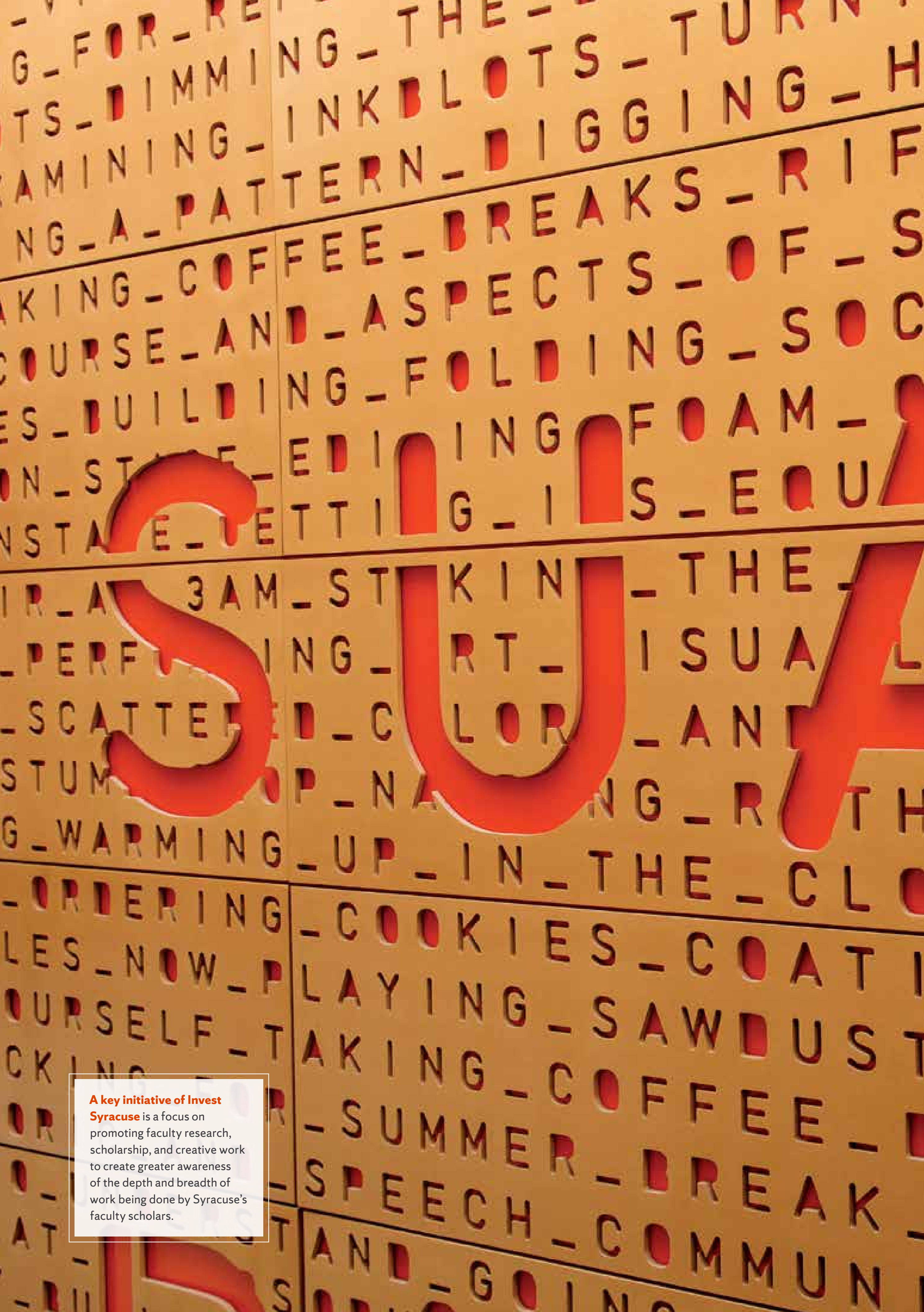
HIRE DISCOVERY TECHNOLOGY

SCHOLARS GRANTS SUCCESS

2018

Syracuse University

FINANCIAL REPORT



A key initiative of Invest Syracuse is a focus on promoting faculty research, scholarship, and creative work to create greater awareness of the depth and breadth of work being done by Syracuse's faculty scholars.

Facts and Figures

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 2017 semester, Syracuse University had a total enrollment of 22,484, of which 19,238 were full-time students and 3,246 were part-time students.

Number of employees

5,838 Total employees

913 Tenure-stream faculty

835 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 2017, 83 of the University's student-athletes were named to All-Academic conference teams.

History

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

More information

For more information, please contact:

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

syracuse.edu

From the Chancellor

Kent Syverud, Chancellor and President

At Syracuse University, we are building a culture that models entrepreneurial change in academics, finance, and operations. These efforts are now yielding results for our fiscal health and sustainability. Thoughtful spending over the course of fiscal year 2018 resulted in an operating surplus that we can now reinvest in the student experience, in strengthening our research capacity and performance, in online and post-traditional education, and in serving veterans and military-connected students.

Invest Syracuse, an initiative focused on academic excellence and the student experience, is more than halfway to our $100 million funding goal. We are now welcoming our first faculty hires in strategic areas and are defining the opportunities for future investment with the aim of adding more talented faculty to our academic community. These individuals will, in turn, build research and collaborations, create innovative new courses, teach existing courses in new ways, and design new ways for students to gain practical experience. We have also invested in an internal grant program that rewards collaboration and innovative ideas. In May, $1.8 million was awarded to projects that involve more than 400 faculty, graduate students, and undergraduates. These investments will result in research and innovation that can attract additional external funding and global recognition.

This year, the University has added key student support personnel and expanded mental health services. We have also made investments to make our campus and classrooms more accessible. We began construction on the Barnes Center at The Arch, a holistic health and wellness complex that will bring student resources together in one central location. Additionally, we are moving forward on enhancements to the Schine Student Center and to our Stadium that are designed to improve the student and fan experience.

Construction of the National Veterans Resource Center is well underway and progressing on schedule. The facility will provide a collaborative and open space that links veterans and military-connected families and communities to foster innovation and public-private partnerships.

While higher education faces challenges, Syracuse University is delivering results based on focused investments in people, academic programs, and experiences that prepare students to thrive in a fast-changing world. This discipline and focus helps us build excellence in areas where we are innovative, academically strong, and relevant.

I am grateful for the work of our fiscal management team and faculty and staff at every level who believe in our focus and support our mission. We ended this fiscal year with strong performance and will continue to work hard to ensure that this trajectory is sustained over the coming year.

Kent Syverud

KENT SYVERUD

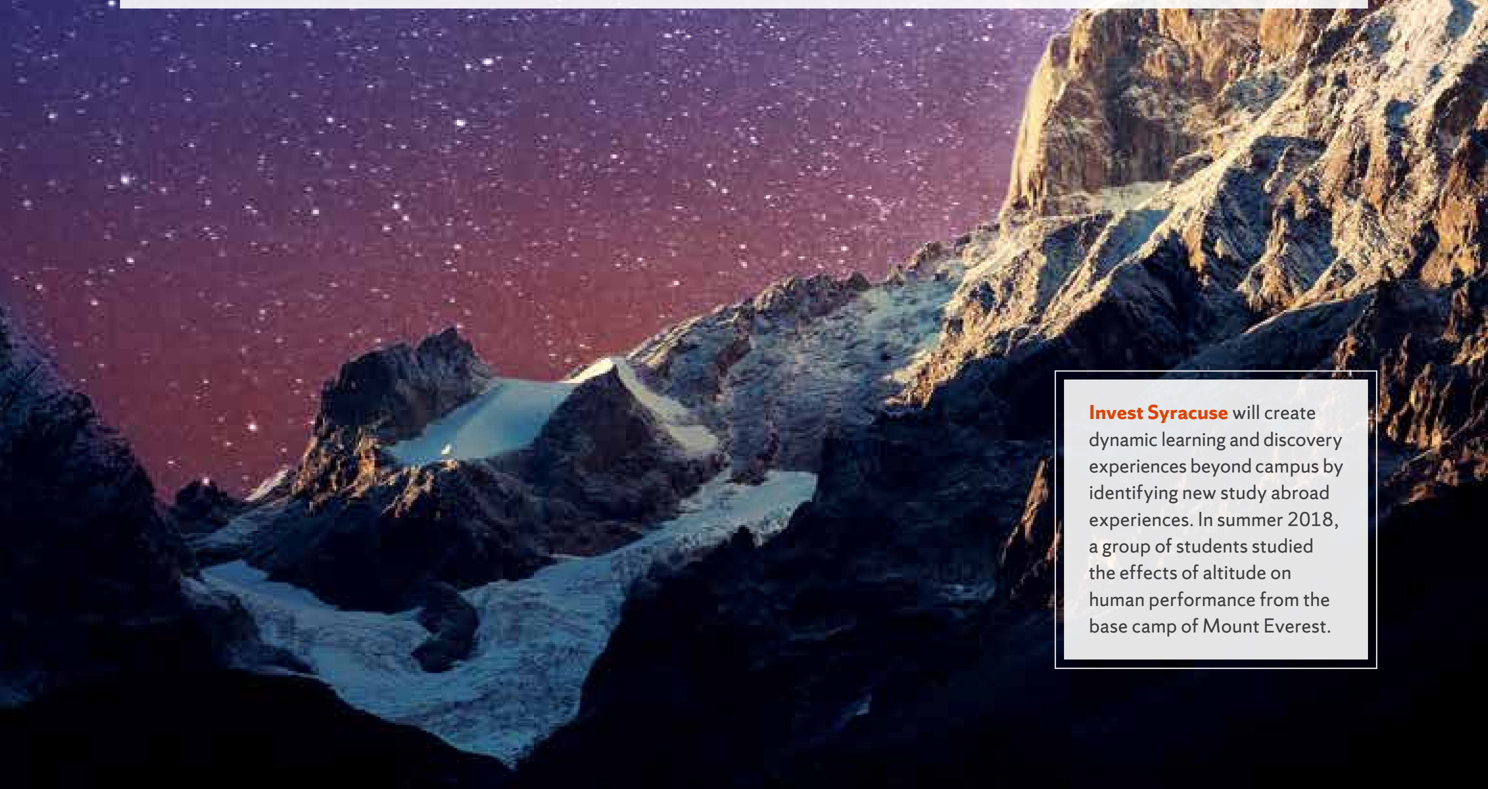
Statistical Highlights

Student Enrollments

	2014	2015	2016	2017	2018
Undergraduate	15,097	15,224	15,196	15,218	15,252
Graduate Professional	5,550	5,710	6,046	6,180	6,633
Law	620	558	547	572	599
Total Student Enrollments	**21,267**	**21,492**	**21,789**	**21,970**	**22,484**

Degrees Conferred

	2014	2015	2016	2017	2018
Baccalaureate	3,330	3,451	3,467	3,563	3,377
Masters (including MBA)	2,077	1,919	2,172	2,173	2,300
Juris Doctorate	212	191	165	149	175
Doctorate-Professional	4	7	3	10	2
Doctorate-Research	169	155	144	189	160
Certificates and Other	460	368	487	494	522
Total Degrees Conferred	**6,252**	**6,091**	**6,438**	**6,578**	**6,536**



Invest Syracuse will create dynamic learning and discovery experiences beyond campus by identifying new study abroad experiences. In summer 2018, a group of students studied the effects of altitude on human performance from the base camp of Mount Everest.

Financial Report

From the Senior Vice President and Chief Financial Officer

AMIR RAHNAMAY-AZAR

Invest Syracuse will enhance student access to health and wellness resources by bolstering collaboration between student life, academic affairs, and Hendricks Chapel to create a seamless approach to learning, advising, counseling, and engagement.

Fiscal Year 2018 Highlights

I am delighted to present Syracuse University's financial report for fiscal year 2018. The University realized one of the largest operating surpluses in its history. Total operating revenues increased by $54.0 million, surpassing $1.0 billion, a historic milestone for University operating revenues. Total assets increased and total liabilities were reduced. These results are a reflection of the collaborative efforts underway across our campus to manage resources with care and intent.

As Syracuse University strives to distinguish itself as a premier global research university, we must make certain we have the appropriate infrastructure and the resources to advance our academic enterprise, enhance student services, and build a diverse campus community. The Invest Syracuse initiative was designed as the means of supporting these efforts and is exceptional for its focus on redefining, advancing, and expanding the Syracuse University experience.

Investments in academic programs during fiscal year 2018 included the launch of the Signature Hires Initiative to strengthen teaching and research capacity through the addition of 100 new faculty members over the next five years. Campus growth and renewal efforts pursued during fiscal year 2018 included breaking ground on both the National Veterans Resource Complex (NVRC) and the Barnes Center at the Arch. When completed, the NVRC will function as a bridge to forging public-private partnerships, a collaborative space to nurture research and actionable programming, and a forum to facilitate collaborative thought leadership. The Barnes Center at the Arch will be a state-of-the-art health, wellness, and recreation complex with lively and thoughtful interactions among students, faculty, and staff.

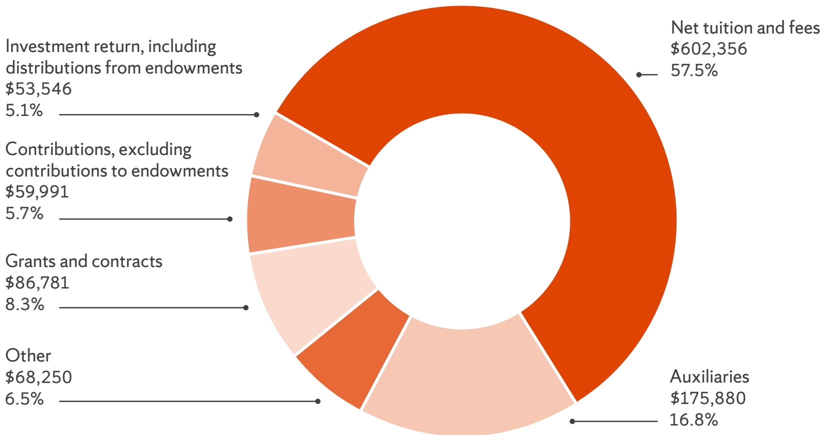
These efforts have added to the current strength of our academic programs and our capacity to realize the bold and balanced aspirations of Invest Syracuse. The University is in the midst of unprecedented campus-wide momentum, and its future will bring an openness to new and different ways of doing things: a commitment to experimentation, new attention to entrepreneurial activities, and redefinition of the standards by which exemplary, learner-centered business services are delivered. There is much to be proud of this year and so much to look forward to in the years ahead.

The financial results described on the following pages not only meet and exceed expectations for the current fiscal year, but also form the building blocks for future growth and accomplishments at the University. The best is yet to come at Syracuse University.

Operating Revenues

Net tuition, fees, and auxiliaries represent the primary sources of revenue and totaled 74.3% of operating revenues, of which auxiliaries accounted for 16.8%. These revenues are driven by student enrollment, which totaled 22,484 for the year, consisting of 15,252 undergraduate students, 6,633 graduate students, and 599 students enrolled at the College of Law. Enrollment growth and increases in tuition, fees, and room and board charges were key components of an overall 5.4% increase in operating revenues. The additional components of revenue, including contributions and grants and contracts, are targeted for future growth in order to further the strategic priorities for the University

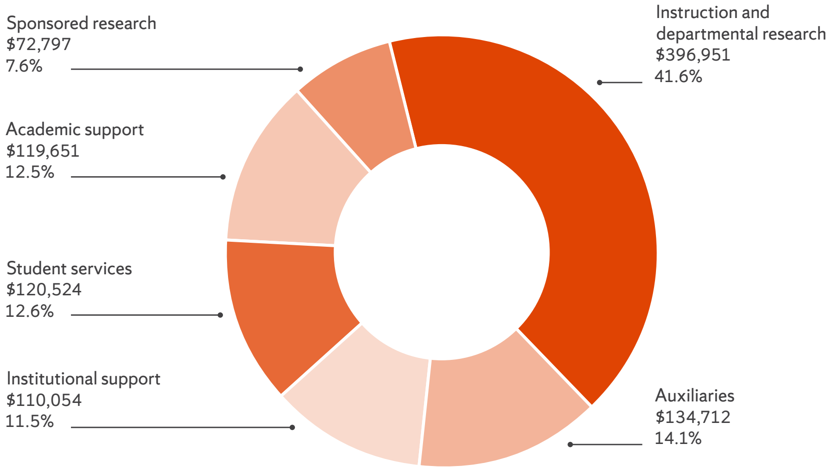
Fiscal 2018 Operating Revenues *(thousands of dollars)*



Operating Expenses

Total operating expenses increased $21.3 million to $954.7 million. Instruction and departmental research continued to represent the majority of the University's expenses and were consistently 41.6% in fiscal year 2018 and 2017. Overall, expenses increased by 2.3%, while revenues increased by 5.4%, resulting from prudent spending and strategic resource allocation. Continued efforts to support thoughtful and focused spending will go a long way to achieving financial, programmatic, and strategic goals of the University.

Fiscal 2018 Operating Expenses *(thousands of dollars)*

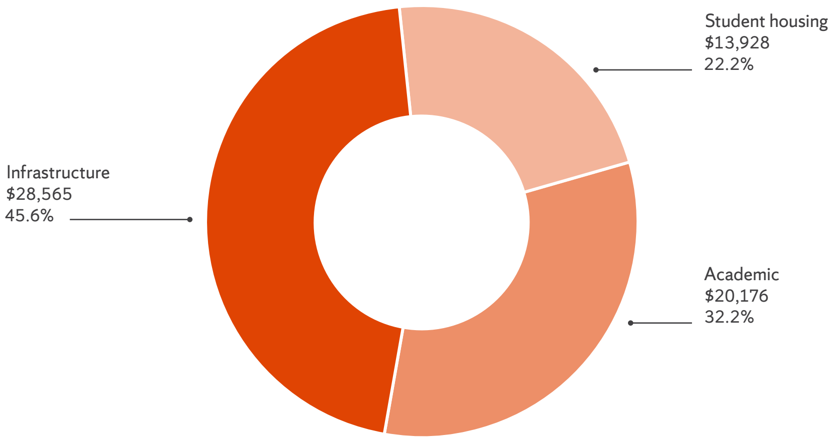


Capital Spending

Infrastructure improvements and additions provide necessary physical elements to support the student experience, campus accessibility, and other important University initiatives. Strategic deployment of capital project spending took place during fiscal year 2018 and included:

- Construction of the Barnes Center at the Arch and the NVRC.
- Various residence hall and dining hall renovations, replacements, and upgrades.

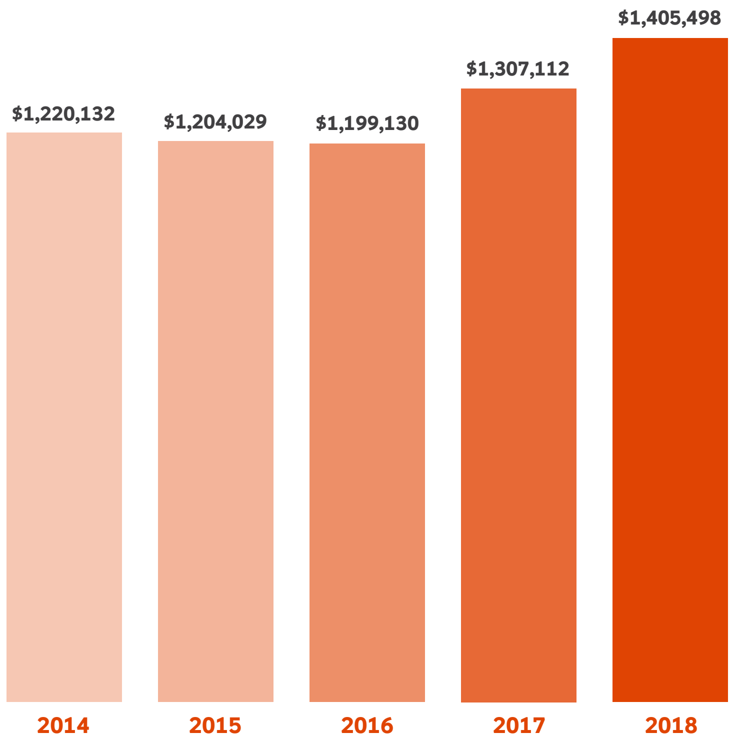
Fiscal Year 2018 Capital Spending *(thousands of dollars)*



Investments

Growth of the investment portfolio, which represents 46.4% of total assets, was $0.1 billion to $1.4 billion in fiscal year 2018. The endowment is the largest component of investments and was valued at $1.3 billion at the end of fiscal year 2018. The remaining balance of investments is comprised primarily of security gifts and operating investments. Annual return of 8.1% and generous donor contributions were the primary drivers of overall portfolio growth.

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



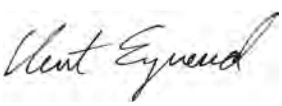
Moving Forward

As we look ahead, we recognize that the external financial environment presents challenges. The University understands that realizing its objectives will require continued prudent financial oversight. We are confident that the University is well positioned to carry out important initiatives in the coming years. We thank you for your continued support.

AMIR RAHNAMAY-AZAR
Senior Vice President and Chief Financial Officer

Statement of Responsibility

Management is responsible for the preparation, integrity, and objectivity of the consolidated financial statements of Syracuse University. The statements have been prepared in accordance with U.S. generally accepted accounting principles and include certain estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Management fulfills its responsibility primarily by establishing and maintaining an internal control structure that is designed to provide reasonable assurance that the University's assets are safeguarded, transactions are executed in accordance with management's authorization, and that the University's financial records may be relied upon for the purpose of preparing financial statements and related disclosures. That system is monitored and assessed by direct management review and by the University's 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.



KENT SYVERUD
Chancellor and President

AMIR RAHNAMAY-AZAR
Senior Vice President and Chief Financial Officer

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

The Audit Committee of the Board of Trustees, which consists of trustees who are neither officers nor employees of the University, is responsible for the oversight of the work performed by the independent auditors, oversight of the work performed by Internal Audit, 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 executive director of Internal Audit to review financial reporting, internal accounting controls, and auditing matters. Both the independent auditors and the executive director of Internal Audit have direct and private access to the Audit Committee.

Consolidated Financial Statements

June 30, 2018 and 2017

(with Independent Auditors' Report Thereon)

The Invest Syracuse initiative positions students for post-graduation success by fostering a cross-campus networking community that connects students and young alumni to internship and career opportunities.

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, 2018 and 2017, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Syracuse University and subsidiaries as of June 30, 2018 and 2017, and the changes in their net assets and their 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(m) to the consolidated financial statements, during the year ended June 30, 2018, the University adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities* (ASU 2016-14), and ASU No. 2017-07, *Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (ASU 2017-07). Our opinion is not modified with respect to these matters.

KPMG LLP

September 25, 2018

Consolidated Balance Sheets

June 30, 2018 and 2017 (Thousands of dollars)

Assets	**2018**	**2017**
Cash and cash equivalents	$299,986	$224,562
Interest rate swap agreements collateral	14,600	28,700
Receivables, net	150,403	140,243
Other assets	30,497	31,846
Investments	1,405,498	1,307,112
Land, land improvements, buildings, equipment, and collections, net	1,130,734	1,119,870
Total assets	$3,031,718	$2,852,333
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$136,664	$142,774
Deposits and deferred revenues	77,570	74,207
Asset retirement obligations	20,956	21,506
Accrued postretirement benefit obligation	49,572	54,171
Capital lease obligation	2,796	2,933
Interest rate swap agreements	57,444	76,256
Long-term debt	429,527	435,228
Refundable government student loan funds	27,891	27,669
Total liabilities	802,420	834,744
Net assets:		
Without donor restrictions	1,467,737	1,323,231
With donor restrictions	761,561	694,358
Total net assets	2,229,298	2,017,589
Total liabilities and net assets	$3,031,718	$2,852,333

See accompanying notes to consolidated financial statements.

Consolidated Statement of Activities

Year ended June 30, 2018
(With comparative totals for the year ended June 30, 2017)
(Thousands of dollars)

	Without donor restrictions	With donor restrictions	2018 total	2017 total
Operating revenues:				
Tuition and fees, net of financial aid of $324.7 million in 2018 and $319.2 million in 2017	$602,356		$602,356	$557,597
Contributions, excluding contributions to endowments	40,494	$19,497	59,991	55,078
Grants and contracts	86,781		86,781	84,563
Investment return, including distributions from endowments	53,546		53,546	53,759
Auxiliaries, net of financial aid of $5.9 million in 2018 and $6.0 million in 2017	175,880		175,880	172,995
Other	68,250		68,250	68,784
Net assets released from restrictions	13,215	(13,215)		
Total operating revenues	1,040,522	6,282	1,046,804	992,776
Operating expenses:				
Instruction and departmental research	396,951		396,951	387,727
Sponsored research and other programs	72,797		72,797	69,428
Academic support	119,651		119,651	118,847
Student services	120,524		120,524	117,083
Institutional support	110,054		110,054	108,586
Auxiliaries	134,712		134,712	131,761
Total operating expenses	954,689		954,689	933,432
Increase in net assets from operating activities	85,833	6,282	92,115	59,344
Nonoperating activities:				
Contributions to endowments		26,954	26,954	20,612
Returns from investments and other financial instruments, excluding distributions from endowments	53,968	33,967	87,935	116,801
Postretirement benefit obligation changes other than service cost	4,705		4,705	868
Increase in net assets from nonoperating activities	58,673	60,921	119,594	138,281
Increase in net assets	144,506	67,203	211,709	197,625
Net assets at beginning of year	1,323,231	694,358	2,017,589	1,819,964
Net assets at end of year	$1,467,737	$761,561	$2,229,298	$2,017,589

See accompanying notes to consolidated financial statements.

Consolidated Statement of Activities

Year ended June 30, 2017 (Thousands of dollars)

	Without donor restrictions	With donor restrictions	2017 total
Operating revenues:			
Tuition and fees, net of financial aid of $319.2 million	$557,597		$557,597
Contributions, excluding contributions to endowments	33,328	$21,750	55,078
Grants and contracts	84,563		84,563
Investment return, including distributions from endowments	53,759		53,759
Auxiliaries, net of financial aid of $6.0 million	172,995		172,995
Other	68,784		68,784
Net assets released from restrictions	10,623	(10,623)	
Total operating revenues	981,649	11,127	992,776
Operating expenses:			
Instruction and departmental research	387,727		387,727
Sponsored research and other programs	69,428		69,428
Academic support	118,847		118,847
Student services	117,083		117,083
Institutional support	108,586		108,586
Auxiliaries	131,761		131,761
Total operating expenses	933,432		933,432
Increase in net assets from operating activities	48,217	11,127	59,344
Nonoperating activities:			
Contributions to endowments		20,612	20,612
Returns from investments and other financial instruments, excluding distributions from endowments	72,280	44,521	116,801
Postretirement benefit obligation changes other than service cost	868		868
Increase in net assets from nonoperating activities	73,148	65,133	138,281
Increase in net assets	121,365	76,260	197,625
Net assets at beginning of year	1,201,866	618,098	1,819,964
Net assets at end of year	$1,323,231	$694,358	$2,017,589

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended June 30, 2018 and 2017 (Thousands of dollars)

	2018	2017
Cash flows from operating activities:		
Change in net assets	$211,709	$197,625
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Postretirement benefit obligation changes other than service cost	(4,705)	(868)
Depreciation and amortization	74,320	73,682
Changes in fair value of investments and financial instruments	(121,342)	(155,062)
Gifts of property and equipment	(830)	(2,643)
Contributions restricted for investment and physical facilities	(34,998)	(27,277)
Changes in operating assets and liabilities:		
Receivables, net	(9,197)	(6,732)
Other assets	79	3,001
Accounts payable and accrued liabilities	(11,747)	260
Deposits and deferred revenues	3,363	12,526
Asset retirement obligations	(550)	(268)
Accrued postretirement benefit obligation	106	153
Net cash provided by operating activities	106,208	94,397
Cash flows from investing activities:		
Loans made to students	(6,822)	(5,426)
Loans paid by students	5,859	5,450
Purchases of investments	(208,327)	(270,977)
Sales and maturities of investments	213,517	283,865
Purchases of land, land improvements, buildings, equipment, and collections	(79,129)	(85,766)
Net cash used in investing activities	(74,902)	(72,854)
Cash flows from financing activities:		
Contributions restricted for investment and physical facilities	34,998	27,277
Payments of long-term debt	(5,065)	(4,890)
Payments of capital lease obligation	(137)	(115)
Changes in interest rate swap agreements collateral	14,100	33,700
Change in funds held by bond trustee, net of purchases and sales by bond trustee		11,780
Change in refundable government student loan funds	222	110
Net cash provided by financing activities	44,118	67,862
Net increase in cash and cash equivalents	75,424	89,405
Cash and cash equivalents at beginning of year	224,562	135,157
Cash and cash equivalents at end of year	$299,986	$224,562
Supplemental disclosure:		
Interest paid	$18,230	$18,886
Increase (decrease) in accounts payable for land, land improvements, buildings, equipment, and collections	$5,861	$(4,043)

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

1. Organization

Syracuse University (the University) is a private, coeducational and residential university granted a charter by the State of New York in 1870. The University operates under the direction of an independent Board of Trustees as an education corporation under the New York Not-for-Profit Corporation Law. The University has a total enrollment of approximately 22,500 students, including approximately 15,300 full-time undergraduate and law students, approximately 4,000 full-time master's and doctoral students, and approximately 3,200 part-time students. Geographically, the undergraduate student body represents 49 states and 87 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, SU Istanbul Egitim Destek Ve Danisma Hizmetleri Ticaret Limited Sirketi, Drumlins, Inc., Orange Insurance Company, LLC, Syracuse University Alumni Association, Inc. and Syracuse University Hotel and Conference Center LLC.

(b) Reclassifications

Certain reclassifications have been made to the 2017 information to conform to the 2018 presentation that are primarily related to changes in the functional classification of athletic programs 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) 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.

(e) Cash and Cash Equivalents

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

(f) Investments

Investments are reported at estimated fair value. The values of publicly traded fixed income and equity securities are based on quoted market prices and exchange rates. Nonmarketable securities include alternative investments in hedge funds and private partnership funds. In the absence of readily determinable public market values, alternative investments are valued using current net asset values or the equivalent as a practical expedient to approximate fair values. The University believes the carrying amounts of these financial instruments are reasonable estimates of fair value. The estimates, because of the inherent uncertainty of valuations for these investments, may differ from the values that would have been used had ready markets existed.

(g) Funds Held by Bond Trustee

Unspent bond proceeds are held by the bond trustee and are invested in money market vehicles and individual bond issues classified as Level 1 in the fair value hierarchy.

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

Land, land improvements, buildings, equipment, and the library collections are stated at cost or fair value at date of donation, exclusive of the library's special collection, which is recorded at the University's estimate. The art collection is recorded at appraised value adjusted for accessions and deaccessions. Depreciation is recognized using the straight-line method with useful lives of twenty or forty years for buildings, five years for equipment, ten years for library collections, excluding special collections, and one hundred years for art and library special collections. Depreciation expense for buildings and land improvements is allocated to functional classifications based on square footage. Depreciation expense for equipment is allocated to functional classifications based on the functional classifications of the departments in which equipment is located, and depreciation expense for collections is allocated to the academic support functional classification.

(i) Fair Value

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

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

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

Level 3—inputs are unobservable and are derived from valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and are not based on market, exchange, dealer, or broker-traded transactions.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

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

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(j) 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.

(k) Estimates

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

(l) Income Taxes

The University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes pursuant to Section 501(a) of the Internal Revenue Code. Orange Insurance Company, LLC and Syracuse University Hotel and Conference Center LLC, are wholly owned by the University and are reported in the University's income tax filings. Syracuse University Alumni Association, Inc. is a tax-exempt organization, of which the University is the sole member that files its own tax returns. Drumlins, Inc. is a taxable subsidiary of the University and files its own tax returns. The Syracuse University (USA) London Program, created for the advancement of education, is a registered charity under the laws of England. The SU Istanbul Program (SU Istanbul Egitim Destek Ve Danisma Hizmetleri Ticaret Limited Sirketi), created to promote the University's educational activities in Turkey, is a limited liability company established in accordance with the provision of the Turkish Commercial Code. Its operations are governed by the laws of the Republic of Turkey. The income tax consequences, if any, from these entities are reflected in the consolidated financial statements, and do not have a material effect, individually or in the aggregate, on the University's consolidated financial statements. The University believes it has taken no significant uncertain tax positions.

On December 22, 2017, the President signed into law H.R. 1, originally known as the Tax Cuts and Jobs Act. The new law includes several provisions that result in substantial changes to the tax treatment of tax-exempt organizations and their donors. The University has reviewed these provisions and the potential impact and concluded the enactment of H.R. 1 will not have a material effect on its operations.

(m) Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* The primary changes, which affect the look and feel of most not-for-profit financial statements, include revisions to simplify and enhance the presentation of net assets, a requirement to present functional and natural expenses in a single location, and expanded disclosures regarding liquidity and availability of resources. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. In fiscal 2018, the University retrospectively adopted this standard. A summary of the net asset reclassifications resulting from the adoption of ASU 2016-14 as of July 1, 2016 is as follows (in thousands of dollars):

	ASU 2016-14 Classifications		
	Without donor restrictions	**With donor restrictions**	**Total net assets**
2017 beginning of year net assets as previously presented:			
Unrestricted	$1,188,230		$1,188,230
Temporarily restricted		$195,888	195,888
Permanently restricted		435,846	435,846
2017 beginning of year net assets as previously presented	1,188,230	631,734	1,819,964
Reclassifications to implement ASU 2016-14:			
Underwater endowments	13,636	(13,636)	
2017 beginning of year net assets as reclassified	$1,201,866	$618,098	$1,819,964
2018 beginning of year net assets as previously presented:			
Unrestricted	$1,316,335		$1,316,335
Temporarily restricted		$241,898	241,898
Permanently restricted		459,356	459,356
2018 beginning of year net assets as previously presented	1,316,335	701,254	2,017,589
Reclassifications to implement ASU 2016-14:			
Underwater endowments	6,896	(6,896)	
2018 beginning of year net assets as reclassified	$1,323,231	$694,358	$2,017,589

The adoption of the standard requires reclassification in the statement of activities, decreasing net assets with donor restriction and increasing net assets without donor restriction in returns from investments and other financial instruments, excluding distributions from endowments by $6,740 for the year ended June 30, 2017.

In March 2017, the FASB issued ASU 2017-07, *Compensation-Retirement Benefits (Topic 715)*. The ASU attempts to improve the presentation of net periodic pension and postretirement benefit costs. The ASU does not prescribe where the amount of net benefit cost should be presented in an employer's statement of activities, but it does require that the service cost component be presented in the same line item(s) as other employee compensation costs and that the remaining components be presented separately from those line items and outside of operations. It also stipulates that only the service cost component is eligible for capitalization in assets, as applicable. The new standard is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. In fiscal 2018, the University retrospectively adopted the standard, which resulted in the reclassification of ($1,172) of net periodic benefit cost from operating to nonoperating activities for the year ended June 30, 2017.

Notes to Consolidated Financial Statements

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3. Financial Assets and Liquidity Resources

As of 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):

Financial assets, at year-end	$1,870,487
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Donor restricted endowment	(636,404)
Pledges receivable due in greater than one year	(40,407)
Student loans due in greater than one year	(36,777)
Cash held as collateral for swap agreements	(14,600)
Board designations:	
Quasi-endowment fund, primarily for long-term investing	(691,744)
Endowment spending distribution:	
Fiscal year 2019 appropriation	45,795
Financial assets available to meet cash needs for general expenditures within one year	$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 instituted a taxable commercial paper program in 2018 as described in footnote 8. In addition, the quasi endowment of $691,744 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, 2018 and June 30, 2017 (in thousands of dollars):

	2018	2017
Accounts receivable	$83,233	$81,537
Pledges receivable, net of present value discount	80,392	70,241
Matured bequests receivable	1,705	1,492
	165,330	153,270
Allowance for doubtful accounts	(14,927)	(13,027)
Total	$150,403	$140,243

Accounts receivable include student loans receivable of $36.8 million and $36.0 million at June 30, 2018 and June 30, 2017, respectively, net of allowances for doubtful accounts of approximately $1.0 million at both June 30, 2018 and June 30, 2017.

Unconditional pledges and matured bequests at June 30, 2018 and June 30, 2017 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):

	2018	2017
Less than one year	$30,313	$27,076
One year to five years	39,966	31,045
More than five years	22,644	25,080
	92,923	83,201
Allowance for doubtful accounts	(11,377)	(10,213)
Present value discount	(10,826)	(11,468)
Total	$70,720	$61,520

The discount rates used to present value the pledges range from 0.72% to 6.00% at June 30, 2018 and June 30, 2017.

Conditional promises, which depend on the occurrence of a specified future or uncertain event, are recognized when the conditions are substantially met. Total unrecorded conditional pledges for the University were approximately $31.3 million and $13.0 million as of June 30, 2018 and June 30, 2017, respectively.

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, 2018 and June 30, 2017, the University had no specific plans or intentions to sell investments at amounts different than NAV.

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June 30, 2018 and 2017

The University's investments at June 30, 2018 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	$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.

The University's investments at June 30, 2017 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	$248,676	$3,984	$252,660
International equity	Daily	143,030	1,839	144,869
Fixed income	Daily	109,809	19,063	128,872
Real asset	Daily	49,973		49,973
Total marketable securities		551,488	24,886	576,374
Commingled funds:				
International equity	Monthly	56,157		56,157
Fixed income	Daily to monthly	60,521		60,521
Total commingled funds		116,678		116,678
Funds held or administered by others	Not applicable	1,533	25,107	26,640
Subtotal		669,699	49,993	719,692
Investments measured at net asset value:				
Commingled fund:				
International equity	Monthly			18,973
Hedge funds:				
Long/short	Monthly to illiquid			194,802
Multi-strategy	Quarterly to illiquid			65,656
Other	Monthly to illiquid			64,389
Private partnerships:				
Buyout	Illiquid			117,297
Venture capital	Illiquid			71,203
Debt related	Illiquid			17,363
Real asset	Illiquid			37,737
Subtotal				587,420
Total		$669,699	$49,993	$1,307,112

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

There were no transfers between Level 1 and Level 2 for the fiscal years ended June 30, 2018 or June 30, 2017.

Notes to Consolidated Financial Statements

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The private partnerships have initial terms of 10 years with extensions of one to four years and have an average remaining expected life of 4.3 years and 3.5 years as of June 30, 2018 and June 30, 2017, respectively. At June 30, 2018, the University's outstanding commitments to private partnerships totaled $151.8 million. Private partnerships are considered to be illiquid because distributions are made upon the liquidation of underlying investments.

Certain of the University's hedge fund investments are illiquid as a result of restrictions that include contractual lock up provisions, redemption notification requirements, and other restrictions. Restrictions on hedge fund investments totaling $38.1 million and $56.7 million expire in fiscal year 2019 and 2020, respectively.

The following table summarizes the components of investment return in the consolidated statements of activities for the years ended June 30, 2018 and June 30, 2017 (in thousands of dollars):

	2018	**2017**
Interest and dividends	$20,211	$15,644
Realized gains, net	38,713	58,136
Unrealized gains, net	64,537	61,816
Total investment return	$123,461	$135,596

Netted in investment return were investment management expenses of $3.5 million and $3.2 million in fiscal years 2018 and 2017, respectively.

6. Endowment Funds

The University's endowment consists of approximately 2,100 individual funds which include both donor restricted endowment funds and funds designated by the University to function as quasi endowments. These individual funds have been established for a variety of purposes, with the majority of them established for scholarships and endowed chairs.

The University employs asset allocation models having multi-year investment horizons, and it manages its long-term investments in accordance with the total return concept and the goal of maximizing long-term return within acceptable levels of risk. The University's spending policy is aligned with the asset allocation model and is designed to provide a stable level of financial support and to preserve the real value of its endowment. The University compares the performance of its investments against several benchmarks, including its asset allocation model policy indexes.

The trustee Investment and Endowment Committee (IEC) approves the annual distribution rates and spending amount for the University's investment funds. Per unit distributions are calculated by multiplying the average of the monthly unit market values during the previous three fiscal years by the percentage approved by the Committee each year. The percentage approved for fiscal years 2018 and 2017 was 3.84%. In addition, other distributions approved by the IEC of $3.7 million and $6.5 million were made in fiscal years 2018 and 2017, 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, 2018 and 2017, there was one endowment fund underwater where the donor had requested that spending not occur if the endowment was underwater.

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At June 30, 2018 and June 30, 2017, 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 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

		With donor restrictions			
	Without donor restrictions	**Original gift**	**Accumulated gains (losses)**	**Total**	**Total funds 2017**
Quasi	$652,738				$652,738
Donor restricted:					
Underwater		$78,838	$(6,896)	$71,942	71,942
Other		337,144	170,526	507,670	507,670
	$652,738	$415,982	$163,630	$579,612	$1,232,350

Changes in net assets associated with endowment funds for the fiscal years ended June 30, 2018 and June 30, 2017 were (in thousands of dollars):

			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

			2017
	Without donor restrictions	**With donor restrictions**	**Total**
Net assets at June 30, 2016	$611,640	$518,976	$1,130,616
Investment return	70,338	60,200	130,538
Contributions		17,511	17,511
Distributions	(28,502)	(20,198)	(48,700)
Board designated and donor required transfers	(738)	3,123	2,385
Net assets at June 30, 2017	$652,738	$579,612	$1,232,350

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

The following is a summary of land, land improvements, buildings, equipment, and collections at June 30, 2018 and June 30, 2017 (in thousands of dollars):

	2018	**2017**
Land and land improvements	$96,388	$94,094
Buildings and buildings' equipment	1,846,771	1,782,024
Equipment	121,312	110,715
Library and art collections	233,693	228,980
	2,298,164	2,215,813
Accumulated depreciation	(1,167,430)	(1,095,943)
Total	$1,130,734	$1,119,870

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.

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8. Long-Term Debt and Interest Rate Swap Agreements

Long-term debt outstanding at June 30, 2018 and June 30, 2017 is set forth below (in thousands of dollars):

	Fiscal years of maturity	2018	2017
City of Syracuse Industrial Development Agency-Civic Facility Variable Rate Revenue Bonds:			
Series 1999A and 1999B (a)	2030	$44,475	$44,475
Series 2005A and 2005B (b)	2036	80,000	80,000
Series 2008A-1 and 2008A-2 (c)	2010-2038	66,025	66,550
Onondaga County Industrial Development Agency-Civic Facility Variable Rate Revenue Bonds:			
Series 2008B (c)	2010-2038	28,125	29,000
Trust for Cultural Resources of the County of Onondaga Revenue Bonds:			
Series 2010A (d)	2030	75,525	75,525
Series 2010B (e)	2011-2020	30,570	30,755
Series 2011 (f)	2013-2037	40,655	41,935
Series 2013 (g)	2015-2039	58,645	60,185
Bank Loan-Syracuse University Hotel and Conference Center LLC (h)	2028	6,050	6,710
Total principal debt		430,070	435,135
Unamortized premium-Series 2010B (e)		633	1,066
Unamortized premium-Series 2011 (f)		1,317	1,509
Unamortized premium-Series 2013 (g)		1,529	1,853
		433,549	439,563
Less bond issuance costs:			
Issuance costs-Series 1999A and 1999B (a)		345	377
Issuance costs-Series 2005A and 2005B (b)		255	270
Issuance costs-Series 2008A-1 and 2008A-2 (c)		1,021	1,075
Issuance costs-Series 2008B (c)		519	546
Issuance costs-Series 2010A (d)		585	639
Issuance costs-Series 2010B (e)		56	111
Issuance costs-Series 2011 (f)		568	600
Issuance costs-Series 2013 (g)		673	717
Total long-term debt		$429,527	$435,228

(a) Periodic Auction Reset Securities (PARS) bonds have their interest rates set at weekly auctions. The interest rates at June 30, 2018 and June 30, 2017 were 2.91% and 1.62%, respectively, for Series 1999A 2.87% and 1.64%, 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, 2018 and June 30, 2017 were 1.46% and 0.89%, respectively, for both Series 2005A and Series 2005B. The University makes monthly payments of interest to the bondholders through the trustee. The University may make prepayments of principal, and is required to pay any remaining principal balance on December 1, 2035, the maturity date of the bonds.

(c) Variable rate revenue bonds have their interest rates set daily and weekly for Series 2008A and Series 2008B, respectively. The interest rates at June 30, 2018 and June 30, 2017 were 1.53% and 0.91%, respectively, for Series 2008A, and 1.46% and 0.89%, 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, 2018 and June 30, 2017 were 1.49% and 0.90%, 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.

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(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, 2018 and June 30, 2017. 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, 2018 and June 30, 2017, the interest rates were 2.38% and 1.45%, 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**
2019	$5,290
2020	35,660
2021	5,510
2022	5,725
2023	5,970
Thereafter	371,915
Total	$430,070

For fiscal years 2018 and 2017, capitalized interest was $0 and $1.1 million, respectively.

The University has entered into interest rate swap agreements with two counterparties as a hedge against interest rate fluctuations for variable interest rate debt. The University received variable payments equal to 68% of the one-month LIBOR rate from two counterparties for six swap agreements. The University received variable payments equal to the one-month LIBOR rate plus 0.55% from one counterparty for one interest rate swap agreement. As of June 30, 2018 and June 30, 2017, there were requirements to collateralize the obligations under the interest rate swap agreements in the amounts of $14.6 million and $28.7 million, respectively.

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. As of June 30, 2017, the University paid two counterparties a weighted average fixed interest rate of 3.682% on a total notional amount of $295.6 million, which related to its variable interest rate revenue bonds. The University paid one counterparty a fixed interest rate of 5.303% on notional amounts of $6.1 million and $6.7 million as of June 30, 2018 and June 30, 2017, respectively, that related to its loan with JPMorgan Chase Bank, N.A.

At June 30, 2018 and June 30, 2017, the fair values of the University's interest rate swap agreements were $(57.4) million and $(76.3) million, respectively. The interest rate swap agreements are classified in Level 2 of the fair value hierarchy.

The changes of $18.9 million and $32.4 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, 2018 and June 30, 2017, respectively. The net cash payments of $7.9 million and $9.7 million made under the interest rate swap agreements were included in interest expense during fiscal years 2018 and 2017, respectively.

The University had letters of credit and a surety bond aggregating approximately $267.1 million at June 30, 2018 and $267.0 million at June 30, 2017 related to its variable interest rate long-term debt and to potential claims under the University's workers' compensation plan. There were no outstanding amounts against the letters of credit or surety bond.

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. At June 30, 2018 there is no commercial paper outstanding.

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, 2018 and June 30, 2017. At June 30, 2018 and June 30, 2017, accumulated depreciation in the consolidated balance sheet was $1.4 million and $1.1 million, respectively, relating to this lease.

Future minimum capital lease payments as of June 30, 2018 are as follows (in thousands of dollars):

Fiscal year	Amount
2019	$491
2020	491
2021	491
2022	491
2023	499
Thereafter	2,280
Total minimum lease payments	4,743
Less amount representing interest	1,947
Present value of minimum lease payments	$2,796

10. Foreign Currency Forward Contracts

At June 30, 2018 and June 30, 2017, the University had commitments for foreign currency forward contracts with notional values of $19.6 million and $19.7 million, respectively, to hedge foreign exchange rate exposure for its programs abroad. Fair values of foreign currency forward contract commitments of $0.2 million and $1.3 million, were included in other assets, at June 30, 2018 and June 30, 2017, respectively. The foreign currency forward contracts are classified as Level 2 in the fair value hierarchy. For the years ended June 30, 2018 and June 30, 2017, the decrease of $1.1 million and increase of $1.7 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.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

11. Net Assets

At June 30, 2018 and June 30, 2017, net assets were comprised as follows (in thousands of dollars):

	2018		2017	
	Without donor restrictions	**With donor restrictions**	**Without donor restrictions**	**With donor restrictions**
Undesignated	$775,993		$670,493	
Pledges and matured bequests receivable		$70,720		$61,520
Other		11,198		10,868
Funding for facilities		11,807		11,114
Funding for student loans		4,182		4,085
Life income, annuity, and similar funds		27,250		27,159
Endowment funds:				
Scholarships	41,912	308,444	39,065	282,478
Endowed chairs	15,842	156,012	14,592	145,081
Other	633,990	171,948	599,081	152,053
Total net assets	$1,467,737	$761,561	$1,323,231	$694,358

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, 2018 and June 30, 2017 (in thousands of dollars):

						2018
	Salaries and benefits	**Supplies and services**	**Occupancy and related expenses**	**Depreciation and interest**	**Other operating expenses**	**Totals**
Instruction and departmental research	$265,500	$64,886	$23,837	$29,312	$13,416	$396,951
Sponsored research and other programs	37,599	16,628	5,756	4,777	8,037	72,797
Academic support	86,396	5,663	13,173	13,629	790	119,651
Student services	69,344	17,096	6,619	4,890	22,575	120,524
Institutional support	62,735	15,211	3,266	5,747	23,095	110,054
Auxiliaries	44,975	5,036	9,615	34,760	40,326	134,712
Total expenses	$566,549	$124,520	$62,266	$93,115	$108,239	$954,689

2017

	Salaries and benefits	Supplies and services	Occupancy and related expenses	Depreciation and interest	Other operating expenses	Totals
Instruction and departmental research	$259,520	$52,784	$20,477	$30,215	$24,731	$387,727
Sponsored research and other programs	38,765	13,970	5,060	4,967	6,666	69,428
Academic support	87,248	6,074	10,051	13,101	2,373	118,847
Student services	64,394	16,924	8,609	4,652	22,504	117,083
Institutional support	65,725	16,997	531	5,214	20,119	108,586
Auxiliaries	44,941	5,618	5,874	33,987	41,341	131,761
Total expenses	$560,593	$112,367	$50,602	$92,136	$117,734	$933,432

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 2018 and 2017 were approximately $34.1 million and $32.3 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):

	2018	2017
Change in benefit obligation:		
Benefit obligation at beginning of year	$54,171	$54,886
Service cost	2,781	2,974
Interest cost	1,887	1,868
Plan participants' contributions	1,092	1,011
Plan amendment	(1,274)	
Actuarial gain	(5,318)	(2,736)
Benefits paid	(3,791)	(3,863)
Medicare Part D prescription drug federal subsidy	24	31
Benefit obligation at end of year	$49,572	$54,171

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

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):

	2018	2017
Actuarial gain	$5,318	$2,736
Gain on plan amendment	1,274	
Amortization of:		
Actuarial loss	77	107
Prior service credits	(251)	(803)
Total increase in net assets without restrictions	$6,418	$2,040

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

	2018	2017
Operating activities:		
Service cost	$2,781	$2,974
Nonoperating activities:		
Interest cost	1,887	1,868
Amortization of actuarial loss	77	107
Amortization of prior service credits	(251)	(803)
Net periodic postretirement benefit cost	$4,494	$4,146

For measurement purposes, annual rates of increase in the per capita cost of covered healthcare of 7.00% and 6.00% for pre-65 and post-65 retirees, respectively, were assumed as of June 30, 2018. An annual rate of increase in the per capita cost of covered prescription drug benefits of 10.25% was assumed as of June 30, 2018. The rates were assumed to decrease to 3.89% for both healthcare and prescription drug benefits by fiscal year 2075 and remain at those levels thereafter. Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. It is estimated, based on actuarial calculations, that a one percentage point change in the healthcare trend rate would have the following effects (in thousands of dollars):

	1-percentage point increase	1-percentage point increase
Effect on total of service and interest cost components	$852	$(674)
Effect on postretirement benefit obligation	6,844	(5,583)

As of June 30, 2018 and June 30, 2017, the discount rates used in determining the benefit obligations were 4.06% and 3.74%, respectively, and the discount rates used in determining the net periodic postretirement benefit costs were 3.74% and 3.42%, respectively.

Contributions to the postretirement benefit plans, net of employee contributions and the Medicare subsidy, were $2.7 million in fiscal year 2018 and are estimated to be $2.4 million for fiscal year 2019.

The net benefits expected to be paid in each fiscal year from 2019 through 2023 are approximately $2.4 million and the net aggregate expected payments including years through fiscal year 2028 total approximately $26.0 million. The expected benefits are based on the assumptions used to measure the University's benefit obligation at June 30, 2018, 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 2018 are amortization of prior service credits of approximately $0.2 million and amortization of actuarial gain of approximately $0.1 million. The unamortized prior service credits and unamortized net actuarial loss were $1.4 million and $4.0 million, respectively, at June 30, 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, 2018, the University had approximately $102.8 million of construction commitments and $8.3 million of energy purchase commitments.

15. Subsequent Events

The University evaluated subsequent events for potential recognition or disclosure through September 25, 2018, the date on which the consolidated financial statements were available to be issued.

Syracuse University Board of Trustees

2018-2019

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