



SYRACUSE UNIVERSITY

Independent Auditors' Reports as Required by Title 2
U.S. Code of Federal Regulations Part 200, *Uniform Administrative
Requirements, Cost Principles, and Audit Requirements for Federal
Awards*, and *Government Auditing Standards* and Related Information

Year ended June 30, 2018

SYRACUSE UNIVERSITY

Independent Auditors' Reports as Required by Title 2
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Awards*, and *Government Auditing Standards* and Related Information

Year ended June 30, 2018

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KPMG LLP
515 Broadway
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Independent Auditors' Report

The Board of Trustees
Syracuse University:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Syracuse University and subsidiaries (the University), which comprise the consolidated statements of financial position 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Syracuse University as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2018 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

September 25, 2018

SYRACUSE UNIVERSITY
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.

SYRACUSE UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2018

(With Comparative Totals for the Year ended June 30, 2017)

(Thousands of dollars)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2018 total</u>	<u>2017 total</u>
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	<u>1,040,522</u>	<u>6,282</u>	<u>1,046,804</u>	<u>992,776</u>
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	<u>954,689</u>		<u>954,689</u>	<u>933,432</u>
Increase in net assets from operating activities	<u>85,833</u>	<u>6,282</u>	<u>92,115</u>	<u>59,344</u>
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	<u>58,673</u>	<u>60,921</u>	<u>119,594</u>	<u>138,281</u>
Increase in net assets	144,506	67,203	211,709	197,625
Net assets at beginning of year	<u>1,323,231</u>	<u>694,358</u>	<u>2,017,589</u>	<u>1,819,964</u>
Net assets at end of year	<u>\$ 1,467,737</u>	<u>\$ 761,561</u>	<u>\$ 2,229,298</u>	<u>\$ 2,017,589</u>

See accompanying notes to consolidated financial statements.

SYRACUSE UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2017

(Thousands of dollars)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2017 total</u>
Operating revenues:			
Tuition and fees, net of financial aid of \$319.2 million in 2017	\$ 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	<u>10,623</u>	<u>(10,623)</u>	
Total operating revenues	<u>981,649</u>	<u>11,127</u>	<u>992,776</u>
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	<u>131,761</u>		<u>131,761</u>
Total operating expenses	<u>933,432</u>		<u>933,432</u>
Increase in net assets from operating activities	<u>48,217</u>	<u>11,127</u>	<u>59,344</u>
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	<u>868</u>		<u>868</u>
Increase in net assets from nonoperating activities	<u>73,148</u>	<u>65,133</u>	<u>138,281</u>
Increase in net assets	121,365	76,260	197,625
Net assets at beginning of year	<u>1,201,866</u>	<u>618,098</u>	<u>1,819,964</u>
Net assets at end of year	<u>\$ 1,323,231</u>	<u>\$ 694,358</u>	<u>\$ 2,017,589</u>

See accompanying notes to consolidated financial statements.

SYRACUSE UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2018 and 2017

(Thousands of dollars)

	<u>2018</u>	<u>2017</u>
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	<u>106,208</u>	<u>94,397</u>
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	<u>(79,129)</u>	<u>(85,766)</u>
Net cash used in investing activities	<u>(74,902)</u>	<u>(72,854)</u>
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	<u>44,118</u>	<u>67,862</u>
Net increase in cash and cash equivalents	75,424	89,405
Cash and cash equivalents at beginning of year	<u>224,562</u>	<u>135,157</u>
Cash and cash equivalents at end of year	\$ <u>299,986</u>	\$ <u>224,562</u>
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.

SYRACUSE UNIVERSITY

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.

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Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(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.

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Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(i) Fair Value

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

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

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

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

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

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

(j) 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

SYRACUSE UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

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):

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Notes to Consolidated Financial Statements

June 30, 2018 and 2017

	ASU 2016-14 Classifications		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total Net Assets</u>
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
		<hr/>	<hr/>
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)	
		<hr/>	<hr/>
2017 beginning of year net assets as reclassified	<u>\$ 1,201,866</u>	<u>\$ 618,098</u>	<u>\$ 1,819,964</u>
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
		<hr/>	<hr/>
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)	
		<hr/>	<hr/>
2018 beginning of year net assets as reclassified	<u>\$ 1,323,231</u>	<u>\$ 694,358</u>	<u>\$ 2,017,589</u>

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

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Notes to Consolidated Financial Statements

June 30, 2018 and 2017

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.

(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	<u>45,795</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 496,350</u>

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.

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Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(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.

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Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(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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Notes to Consolidated Financial Statements
June 30, 2018 and 2017

The University's investments at June 30, 2018 are summarized in the following table (in thousands of dollars):

	<u>Redemption availability</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
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.

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The University's investments at June 30, 2017 are summarized in the following (in thousands of dollars):

	<u>Redemption availability</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
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.

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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):

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

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.

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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.

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):

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	<u>Without donor restrictions</u>	<u>With donor restrictions</u>		<u>Total</u>	<u>Total funds 2018</u>
		<u>Original gift</u>	<u>Accumulated gains (losses)</u>		
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
	<u>\$ 691,744</u>	<u>\$ 441,615</u>	<u>\$ 194,789</u>	<u>\$ 636,404</u>	<u>\$ 1,328,148</u>

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>		<u>Total</u>	<u>Total funds 2017</u>
		<u>Original gift</u>	<u>Accumulated gains (losses)</u>		
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
	<u>\$ 652,738</u>	<u>\$ 415,982</u>	<u>\$ 163,630</u>	<u>\$ 579,612</u>	<u>\$ 1,232,350</u>

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):

	<u>2018</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
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	<u>\$ 691,744</u>	<u>\$ 636,404</u>	<u>\$ 1,328,148</u>

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	2017		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
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	<u>(738)</u>	<u>3,123</u>	<u>2,385</u>
Net assets at June 30, 2017	<u>\$ 652,738</u>	<u>\$ 579,612</u>	<u>\$ 1,232,350</u>

(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):

	<u>2018</u>	<u>2017</u>
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	<u>233,693</u>	<u>228,980</u>
	2,298,164	2,215,813
Accumulated depreciation	<u>(1,167,430)</u>	<u>(1,095,943)</u>
Total	<u>\$ 1,130,734</u>	<u>\$ 1,119,870</u>

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):

	<u>Fiscal years of maturity</u>	<u>2018</u>	<u>2017</u>
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

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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.
- (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

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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.

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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

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(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.

(11) Net Assets

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

	<u>2018</u>		<u>2017</u>	
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>
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	<u>\$ 1,467,737</u>	<u>\$ 761,561</u>	<u>\$ 1,323,231</u>	<u>\$ 694,358</u>

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(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	<u>\$ 566,549</u>	<u>\$ 124,520</u>	<u>\$ 62,266</u>	<u>\$ 93,115</u>	<u>\$ 108,239</u>	<u>\$ 954,689</u>

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	<u>\$ 560,593</u>	<u>\$ 112,367</u>	<u>\$ 50,602</u>	<u>\$ 92,136</u>	<u>\$ 117,734</u>	<u>\$ 933,432</u>

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(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):

	<u>2018</u>		<u>2017</u>
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
	<u>49,572</u>	\$	<u>54,171</u>

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):

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

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

	<u>2018</u>		<u>2017</u>
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	<u>(251)</u>		<u>(803)</u>
Net periodic postretirement benefit cost	<u>\$ 4,494</u>	\$	<u>4,146</u>

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):

	<u>1-percentage point increase</u>		<u>1-percentage point (decrease)</u>
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.

SYRACUSE UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(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

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Direct or Pass-Through Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Research and Development Cluster:				
Department of Agriculture:				
USDA Forest Service	10.000	Direct	\$	\$ 10,000
Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	10.250	Direct		4,569
Consumer Data and Nutrition Research – Tufts University	10.253	101383-00001		35,867
Consumer Data and Nutrition Research – University of Kentucky	10.253	320000900-17-236		37,144
Consumer Data and Nutrition Research – University of Kentucky	10.253	304810944-18-038	13,281	36,122
Consumer Data and Nutrition Research – University of Missouri	10.253	C00056252-1		26,596
Subtotal			<u>13,281</u>	<u>135,729</u>
Agriculture and Food Research Initiative (AFRI)	10.310	Direct	103,353	169,994
Agriculture and Food Research Initiative (AFRI) – Boston University	10.310	4500002373		25,548
Agriculture and Food Research Initiative (AFRI) – Clarkson University	10.310	101011-2		7,246
Agriculture and Food Research Initiative (AFRI) – Michigan State University	10.310	RC102281SU		8,848
Agriculture and Food Research Initiative (AFRI) – University of Tennessee	10.310	A15-0169-S004		55,366
Subtotal			<u>103,353</u>	<u>267,002</u>
Forestry Research – Research Foundation State University of New York	10.652	69461		10,719
USDA Forest Service – Partnership Agreements	10.699	Direct		51,052
Total Department of Agriculture			<u>116,634</u>	<u>479,071</u>
Department of Commerce:				
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program – Mississippi State University	11.427	010500.322657.01		26,422
Measurement and Engineering Research and Standards	11.609	Direct		81,054
Total Department of Commerce				<u>107,476</u>
Department of Defense:				
Air Force Office of Scientific Research – Sicore Technologies	12.000	S-SU2017-001		78,632
Air Force Research Laboratory	12.000	Direct		155,310
Air Force Research Laboratory – Andro Computational Solutions	12.000	ACS-16-AF08-BT06-027		17,320
Air Force Research Laboratory – Andro Computational Solutions	12.000	ACS-16-A11-028-01		67,129
Air Force Research Laboratory – Andro Computational Solutions	12.000	ACS-15-AF15-AT16-II-02		152,645
Air Force Research Laboratory – Assured Information Security	12.000	C233-SD		3,023
Air Force Research Laboratory – Boston Fusion Corp	12.000	BF-5040-SK001		24,486
Air Force Research Laboratory – Massachusetts Institute of Technology	12.000	5710003716		156,174
Air Force Research Laboratory – Par Government Systems Corp	12.000	PGSC-SC111341-01		9,297
Air Force Research Laboratory – Spectral Energies, LLC	12.000	SB1506-009A-1		7
Air Force Research Laboratory – Spectral Energies, LLC	12.000	SB1601-001-1		46,690
Air Force Research Laboratory – Spectral Energies, LLC	12.000	SB1614-001-1		30,622
Air Force Research Laboratory – Spectral Energies, LLC	12.000	SB1614-001-2		46,745
Air Force Research Laboratory – Technergetics, LLC	12.000	FA8750-16-C-0130-002		50,786
Air Force Research Laboratory – University of Dayton Research Institute	12.000	RSC17011		3,076
Army Research Office – University of Southern California	12.000	87889280		112,122
Defense Advanced Research Projects Agency – Assured Information Security	12.000	C240-SA		149,731
Defense Advanced Research Projects Agency – Critical Technologies	12.000	D15PC00175		112,298
Defense Advanced Research Projects Agency – Lockheed Martin Corporation	12.000	4102721106		24,347
Defense Advanced Research Projects Agency – University of Utah	12.000	10043028		9,398
Department of the Navy – Aptima	12.000	1114-1958		25,000
Department of the Navy – Aptima	12.000	1240-2061		8,192
Department of the Navy – Duke University	12.000	283-0560		30,773
Department of the Navy – Duke University	12.000	283-1500		32,283
Intelligence Advanced Research Projects Agency	12.000	Direct	1,571,038	2,690,840
Intelligence Advanced Research Projects Agency – IBM	12.000	W911NF-16-1-0114		252,530
Missile Defense Agency – Boston Fusion Corp	12.000	BF-5030-SK001		110,414
National Reconnaissance Office – Syracuse Research Corporation	12.000	Addendum #11		22,825

SYRACUSE UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Direct or Pass-Through Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Naval Facilities Engineering and Expeditionary Warfare Center	12.000	Direct	\$	\$ 30,127
Subtotal			1,571,038	4,452,822
Air Force Research Laboratory – Basic and Applied Scientific Research	12.300	Direct		146,749
Office of Naval Research – Basic and Applied Scientific Research	12.300	Direct	98,916	371,907
Office of Naval Research – Basic and Applied Scientific Research – Regents of the University of Michigan	12.300	3004683942		24,904
Subtotal			98,916	543,560
Army Research Office – Basic Scientific Research – University of Wisconsin – Madison	12.431	622K786		369,271
University of Wisconsin – Madison	12.431	814K542		433
Department of the Army – Basic Scientific Research	12.431	Direct		289,425
Subtotal				659,129
Air Force Office of Scientific Research – Air Force Defense Research Sciences Program	12.800	Direct	225,254	1,106,133
Air Force Research Laboratory – Air Force Defense Research Sciences Program – Charles River Analytics	12.800	SC1418705		46,464
Subtotal			225,254	1,152,597
National Security Agency – CyberSecurity Core Curriculum	12.905	Direct		201,885
Air Force Research Laboratory – Research and Technology Development – University of Southern California	12.910	81484060		49,184
Total Department of Defense			1,895,208	7,059,177
Department of the Interior:				
Cooperative Research and Training Programs – Resources of the National Park System – University of Colorado	15.945	1555321		13,879
National Park Service Conservation, Protection, Outreach and Education	15.954	Direct		10,815
Total Department of the Interior				24,694
Department of Justice:				
National Institute of Justice W.E.B. DuBois Fellowship Program	16.566	Direct	20,257	126,884
Total Department of Justice – National Institute of Justice			20,257	126,884
Department of Labor:				
Disability Employment Policy Development – Onondaga Community College	17.720	OCC14-024		146,500
Total Department of Labor				146,500
Department of Transportation:				
University Transportation Centers Program – Research Foundation of CUNY	20.701	49198-37-27		7,836
Research Foundation of CUNY	20.701	49198-34-28		33,194
Total Department of Transportation				41,030
National Aeronautics and Space Administration:				
National Aeronautics and Space Administration – Pointwise Science	43.000	30260		17,905
Aeronautics	43.001	Direct		8,732
Aeronautics	43.002	Direct	63,328	143,197
Total National Aeronautics and Space Administration			63,328	169,834
National Endowment For the Humanities:				
Promotion of the Humanities – Office of Digital Humanities	45.169	Direct		6,122
Total National Endowment for the Humanities				6,122
Institute of Museum and Library Science:				
Institute of Museum and Library Science – National Leadership Grants	45.312	Direct		233,643
Laura Bush 21st Century Librarian Program	45.313	Direct	1,913	94,267
Laura Bush 21st Century Librarian Program – Illinois State Library	45.313	17SL528002		70,948
Subtotal			1,913	165,215
Total Institute of Museum and Library Science			1,913	398,858

SYRACUSE UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Direct or Pass-Through Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
National Science Foundation:				
Engineering Grants	47.041	Direct	\$ 57,635	\$ 1,377,651
Engineering Grants – Automodality	47.041	1746729		22,010
Engineering Grants – Georgia Institute of Technology	47.041	RE650G2		4,287
Engineering Grants – Iowa State University	47.041	4206507A		14,324
Engineering Grants – Lehigh University	47.041	542933-78001		10,778
Subtotal			57,635	1,429,050
Mathematical and Physical Sciences	47.049	Direct	29,817	4,720,387
Mathematical and Physical Sciences – California State University Fullerton Auxiliary Services Corp	47.049	S-6149-SYSE		82,480
Mathematical and Physical Sciences – CRDF Global	47.049	OISE-17-63891-01		8,380
Mathematical and Physical Sciences – University of Notre Dame	47.049	PHY-0715396		10,293
Mathematical and Physical Sciences – University of Wisconsin-Milwaukee	47.049	123405536		32,104
University of Wisconsin-Milwaukee	47.049	183405344/144AC6237		97,880
Subtotal			29,817	4,951,524
Geosciences	47.050	Direct		702,828
Geosciences – Rensselaer Polytechnic Institute	47.050	A12651		17,478
Subtotal				720,306
Computer & Information Science & Engineering	47.070	Direct	238,510	2,354,250
Computer & Information Science & Engineering – Northwestern University	47.070	SP0034128-PROJ0009129		98,524
Computer & Information Science & Engineering – University of Illinois	47.070	087856-16493		22,016
Subtotal			238,510	2,474,790
Biological Sciences	47.074	Direct	113,139	1,210,889
Biological Sciences – Cary Institute of Ecosystem Studies	47.074	3298/200201810		111,481
Biological Sciences – Cary Institute of Ecosystem Studies	47.074	3340/200201861		36,448
Subtotal			113,139	1,358,818
Social, Behavioral, and Economic Sciences	47.075	Direct	108,892	1,384,820
Social, Behavioral, and Economic Sciences – Arizona State University	47.075	16-796		102,857
Social, Behavioral, and Economic Sciences – Missouri State university	47.075	18005S		9,063
Social, Behavioral, and Economic Sciences – University of Michigan	47.075	3004216838		8,017
Subtotal			108,892	1,504,757
Education and Human Resources	47.076	Direct	305,054	2,703,778
Office of Cyberinfrastructure	47.080	Direct		27,543
Total National Science Foundation			853,047	15,170,566
Environmental Protection Agency:				
Science To Achieve Results (STAR) Research Program – Georgia Institute of Technology	66.509	RG626-G2		23,537
Total Environmental Protection Agency				23,537
Department of Energy:				
Brookhaven National Laboratory	81.000	339014		2,388
Argonne National Laboratory – Colorado School of Mines	81.000	400938-5801		8,330
Lawrence Berkeley National laboratory – Colorado School of Mines	81.000	401379-5801		4,964
Los Alamos National Security, LLC	81.000	326966		4,573
Subtotal				20,255
Office of Science Financial Assistance Program	81.049	Direct		1,106,456
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	Direct	18,310	142,525
Nuclear Energy Research, Development and Demonstration	81.121	Direct	166,058	291,263
Advanced Research Projects Agency – Energy	81.135	Direct	686,596	1,159,800
Total Department of Energy			870,964	2,720,299

SYRACUSE UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Direct or Pass-Through Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Education:				
Overseas Programs – Doctoral Dissertation Research Abroad Rehabilitation Training – Continuing Education San Diego State University	84.022	Direct	\$	\$ 45,915
Education Research, Development and Dissemination	84.264	SA0000493		122,040
	84.305	Direct	38,271	127,794
Total Department of Education			38,271	295,749
Department of Health and Human Services:				
<i>National Institutes of Health:</i>				
Special Programs for the Aging_ Title III, Part C_ Nutrition Services – University of Rochester	93.045	417004/URFAOGR510587		48,678
Environmental Health	93.113	Direct	31,103	113,913
Research Related to Deafness and Communication Disorders	93.173	Direct		173,025
Research Related to Deafness and Communication Disorders – Research Foundation of CUNY	93.173	41884-C		99,489
Research Related to Deafness and Communication Disorders – Vanderbilt University	93.173	VUMC43732		300,418
Vanderbilt University	93.173	VUMC63717		57,200
Subtotal				630,132
Mental Health Research Grants	93.242	Direct		265,488
Mental Health Research Grants – Portland State University	93.242	207RAY572		8,975
Subtotal				274,463
Alcohol Research Program	93.273	Direct	420,857	1,312,012
Drug Abuse and Addiction Research Programs	93.279	Direct	9,789	605,990
Discovery and Applied Research for Technological Innovations to Improve Human Health – State University of New York Upstate Medical	93.286	72347		20,744
Minority Health and Health Disparities Research	93.307	Direct		17,455
Diabetes, Digestive, and Kidney Diseases Extramural Research – New York University School of Medicine	93.847	16-A1-00-004770-01		132,311
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Direct		887,767
Biomedical Research and Research Training	93.859	Direct	105,467	1,418,006
Biomedical Research and Research Training – University of California Davis	93.859	201402522-01		15,000
Subtotal			105,467	1,433,006
Child Health and Human Development Extramural Research	93.865	Direct	6,170	282,155
Child Health and Human Development Extramural Research – Lemoyne College	93.865	01R15HD076379		31,339
Child Health and Human Development Extramural Research – Research Foundation State University of New York	93.865	1123871/71013		40,511
Subtotal			6,170	354,005
Aging Research	93.866	Direct	55,713	204,981
Aging Research – Johns Hopkins University	93.866	U01AG032947		18,057
Subtotal			55,713	223,038
Vision Research	93.867	Direct		149,819
<i>Administration For Children and Families:</i>				
Social Services Research and Demonstration – University of Missouri	93.647	C00058801-1		80,027
<i>Administration For Community Living:</i>				
ACL National Institute on Disability, Independent Living and Rehabilitation Research	93.433	Direct	451,740	2,518,291
ACL National Institute on Disability, Independent Living and Rehabilitation Research – Carnegie Mellon University	93.433	1090426-370075		43,402
Rehabilitation Research – Carnegie Mellon University	93.433	1090516-389738		64,349
ACL National Institute on Disability, Independent Living and Rehabilitation Research – Memorial Hermann Health System	93.433	ADA-SYRU-2-16	14,965	107,022
Rehabilitation Research – Memorial Hermann Health System	93.433	18-1835		26,712
ACL National Institute on Disability, Independent Living and Rehabilitation Research – University of Minnesota	93.433	57623		9,858
Subtotal			466,705	2,769,634

SYRACUSE UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Direct or Pass-Through Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<i>Substance Abuse and Mental Health Services Administration:</i>				
Policy Research and Evaluation Grants				
University of Wisconsin – Madison	93.239	745K393	\$ 11,977	\$ 12,989
University of Wisconsin – Madison	93.239	808K253		2,652
Subtotal			11,977	15,641
Total Department of Health and Human Services			1,107,781	9,068,635
<i>Social Security Administration:</i>				
Social Security – Research & Demonstration – Boston College	96.007	5002110-01		66,016
Social Security – Research & Demonstration – Boston College	96.007	5002112-01		70,523
Total Social Security Administration				136,539
<i>Agency for International Development:</i>				
Agency for International Development – Akros Global Health	98.000	GHN-1-00-09-00013-00		36,144
Total Agency for International Development				36,144
<i>Marine Mammal Commission:</i>				
Marine Mammal Commission	99.000	Direct		3,485
Total Marine Mammal Commission				3,485
Total Research and Development Cluster			4,967,403	36,014,600
<i>Student Financial Assistance Cluster:</i>				
<i>Department of Education:</i>				
Federal Supplemental Educational Opportunity Grant	84.007	Direct		2,243,897
Federal Work-Study Program	84.033	Direct	12,323	2,566,629
Federal Perkins Loan Program (note 2)	84.038	Direct		43,986,811
Federal Pell Grant Program	84.063	Direct		14,286,473
Federal Direct Student Loans (note 3)	84.268	Direct		157,364,877
Teacher Education Assistance for College and Higher Education Grants	84.379	Direct		207,566
Total Department of Education			12,323	220,656,253
<i>Department of Health and Human Services:</i>				
Nursing Student Loan Program (note 2)	93.364	Direct		6,632
Total Department of Health and Human Services				6,632
Total Student Financial Assistance Cluster			12,323	220,662,885
<i>Economic Development Cluster:</i>				
<i>Department of Commerce:</i>				
Regional Innovation Strategies	11.020	Direct		32,546
Total Economic Development Cluster				32,546
<i>Highway Planning and Construction Cluster:</i>				
<i>Department of Transportation:</i>				
Highway Planning and Construction – NYS Department of Transportation	20.205	D031765		25,420
Highway Planning and Construction – New York State Energy Research and Development	20.205	C031105_83182	20,800	33,911
Total Highway Planning and Construction Cluster			20,800	59,331
<i>TRIO Cluster:</i>				
<i>Department of Education:</i>				
Student Support Services	84.042	Direct		367,890
McNair Post-Baccalaureate Achievement	84.217	Direct		241,483
Total TRIO Cluster				609,373
<i>Other Federal Awards:</i>				
<i>Department of Agriculture:</i>				
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants – Cornell University	10.226	73358-10365		2,772
Beginning Farmer and Rancher Development Program – Cornell University	10.311	73918-10417		1,733
Child and Adult Care Food Program	10.558	Direct		19,782
Technical Assistance and Training Grants	10.761	Direct	14,994	112,264
Solid Waste Management Grants	10.762	Direct		179,224
Total Department of Agriculture			14,994	315,775

SYRACUSE UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Direct or Pass-Through Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Commerce:				
Department of Commerce – National Oceanic & Atmospheric Administration	11.000	Direct	\$	\$ 7,500
Total Department of Commerce				7,500
Department of Defense:				
Defense Media Activity	12.000	Direct		759,437
Department of the Army	12.000	Direct		2,131,105
Department of the Army	12.000	Direct		44,860
Destination Inspection Contracts	12.000	Direct		19,603
Subtotal				2,955,005
Department of Defense Education Activity –				
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools – Copenhagen Central School District	12.556	01232017		6,222
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools – Indian River Central School District	12.556	02172017		289
Indian River Central School District	12.556	20150619		1,943
Indian River Central School District	12.556	20170120		7,972
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools – Lyme Central School District	12.556	10222013		42,048
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools – South Jefferson Central School District	12.556	02112015		1,067
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools – Watertown Central School District	12.556	02102015		475
Watertown Central School District	12.556	11102015		8,643
Watertown Central School District	12.556	01202017		3,904
Subtotal				72,563
Air Force Research Laboratory	12.800	Direct		1,596
Total Department of Defense				3,029,164
Department of Justice:				
Body Worn Camera Policy and Implementation	16.835	Direct		83,024
Total Department of Justice:				83,024
Department of Labor:				
Disability Employment Policy Development – Onondaga Community College	17.720	OD-26453-14-75-4-36		128,943
Total Department of Labor				128,943
Department of State:				
Department of State – Institute of International Education	19.000	FST1801-SYR- 5.1.18		4,359
Academic Exchange Programs – Undergraduate Program –				
International Research & Exchanges Board	19.009	FY17-YALI-PM-Syracuse-04		93,512
International Research & Exchanges Board	19.009	FY18-YALI-PM-Syracuse-05		30,577
Subtotal				124,089
Academic Exchange Programs – Humphrey Fellowship Programs –				
Institute of International Education	19.010	3223		955
Institute of International Education	19.010	IIE-0138-Syracuse-2.6.18		29,999
Institute of International Education	19.010	IIE-0138-SYR-7.1.17		283,630
Subtotal				314,584
Academic Exchange Programs – Graduate Students				
Institute of International Education	19.400	IIE-0136-SYR-5.5.17		60,537
Academic Exchange Programs – English Language Programs				
Institute of International Education	19.421	IIE-0136-SYR-3.15.2017		189,321
Total Department of State				692,890

SYRACUSE UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Direct or Pass-Through Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Transportation:				
University Transportation Centers Program – Research Foundation of CUNY	20.701	49198-17-28	\$ _____	\$ 14,829
Total Department of Transportation				14,829
Department of the Treasury:				
Internal Revenue Service – Low Income Taxpayer Clinics	21.008	Direct		97,732
Total Department of the Treasury				97,732
National Aeronautics and Space Administration:				
Education – Cornell University	43.008	76156-10478		22,433
Total National Aeronautics and Space Administration				22,433
National Endowment For the Humanities:				
Promotion of the Humanities-Office of Digital Humanities	45.169	Direct		15,117
Total National Endowment For the Humanities				15,117
Institute of Museum and Library Science:				
Institute of Museum and Library Science – National Leadership Grants	45.312	Direct		131,906
Laura Bush 21st Century Librarian Program	45.313	Direct		75
Total Institute of Museum and Library Science				131,981
Small Business Administration:				
Women’s Business Ownership Assistance	59.043	Direct		135,810
Veterans Outreach Program	59.044	Direct		1,800,973
Total Small Business Administration				1,936,783
Veterans Affairs:				
VA Supportive Services for Veteran Families Program – Black Veterans for Social Justice Inc.	64.033	29519		3,345
VA Supportive Services for Veteran Families Program – Catholic Charities	64.033	29451		998
VA Supportive Services for Veteran Families Program – Economic Opportunity Council of Suffolk	64.033	29398		4,496
VA Supportive Services for Veteran Families Program – Economic Opportunity Council of Suffolk	64.033	30112		6,976
VA Supportive Services for Veteran Families Program – Hudson River Housing	64.033	29441		1,664
VA Supportive Services for Veteran Families Program – Pathstone Corporation	64.033	29501		428
VA Supportive Services for Veteran Families Program – Veterans Outreach Center Inc.	64.033	29518		7,447
VA Supportive Services for Veteran Families Program – Westchester Community Opportunity	64.033	29442		4,496
Total Veterans Affairs				29,850
Environmental Protection Agency:				
Environmental Protection Agency: Wichita State University	66.000	14790		1,310
Environmental Finance Center Grants	66.203	Direct		147,151
Environmental Finance Center Grants – University of Maryland	66.203	55068-Z9100201		23,223
Subtotal				170,374
Surveys, Studies, Investigations, Demonstrations, and Training Grants – Section 1442 of the Safe Drinking Water Act – University of North Carolina	66.424	5106035		139,493
University of North Carolina	66.424	5108707		83,131
Subtotal				222,624
Chesapeake Bay Program – National Fish and Wildlife Foundation	66.466	0600.16.054915	22,400	42,820
Environmental Education Grants	66.951	Direct	31,511	38,922
Total Environmental Protection Agency			53,911	476,050

SYRACUSE UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Direct or Pass-Through Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Energy:				
Advanced Research Projects Agency – Energy – Intergovernmental Personnel Assignment	81.IPA	Direct	\$ _____	\$ 118,108
Total Department of Energy			_____	118,108
Department of Education:				
National Resource Centers Program for Foreign Language and Area Studies or Foreign Language and International Studies Program and Foreign Language and Area Studies Fellowship Program – Cornell University	84.015	74007-10363		91,065
Cornell University	84.015	75057-10362		254,103
Subtotal			_____	345,168
Fund for the Improvement of Postsecondary Education – Association on Higher Education and Disability	84.116	03042016		6,144
Graduate Assistance in Areas of National Need	84.200	Direct		213,054
Javits Gifted and Talented Students Education	84.206	Direct		275,964
Rehabilitation Services Demonstration and Training Programs – Georgia Vocational Rehabilitation Agency	84.235	42700-610-0000048266		44,708
Twenty-First Century Community Learning Centers – Syracuse City School District	84.287	REF BOE 0616-142		112,946
Twenty-First Century Community Learning Centers – Syracuse City School District	84.287	SCSD1-0000047342		795
Subtotal			_____	113,741
Special Education – Personnel Development to Improve Services and Results for Children with Disabilities	84.325	Direct		187,785
Improving Teacher Quality State Grants – New York State Education Department	84.367	0247-17-0103		24,959
Improving Teacher Quality State Grants – New York State Education Department	84.367	0247-18-0103		31,887
Subtotal			_____	56,846
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407	Direct		549,594
Total Department of Education			_____	1,793,004
Department of Health and Human Services:				
<i>Administration For Community Living:</i> Developmental Disabilities Projects of National Significance – Quality Trust for Individuals	93.631	27794		65,226
Total Department of Health and Human Services			_____	65,226
Agency for International Development:				
Agency for International Development – Near East Foundation	98.001	NEF-2017076-MXSU-01		10,459
Total Agency for International Development			_____	10,459
Total Other Federal Expenditures			68,905	8,968,868
Total Expenditures of Federal Awards			\$ 5,069,431	\$ 266,347,603

See accompanying notes to supplementary schedule of expenditures of federal awards.

SYRACUSE UNIVERSITY

Notes to Supplementary Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

(1) Basis of Presentation

The accompanying supplementary schedule of expenditures of federal awards (the Schedule) summarizes the expenditures of Syracuse University (the University) under programs of the federal government for the year ended June 30, 2018.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the University and agencies and departments of the federal government and all subawards to the University by nonfederal organizations pursuant to federal grants, contracts and similar agreements.

Expenditures for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Moreover, expenditures include a portion of costs associated with general University activities (facilities and administrative costs) which are allocated to awards under negotiated formulas commonly referred to as facilities and administrative cost rates.

(2) Federal Student Financial Assistance

Student Loan Programs

The Perkins Loan Program (CFDA 84.038) listed below is administered directly by the University, and balances and transactions relating to this program are included in the University's financial statements. Loan activities and balances consist of the following:

Balance as of June 30, 2017	Loans issued	Payments and adjustments	Balance as of June 30, 2018
\$ 36,742,876	6,781,041	(5,884,854)	37,639,063

The University recovered an administrative allowance from the Perkins Loan Program of \$462,894 for the year ended June 30, 2018. As required by the Uniform Guidance, the amount shown on the Schedule as expenditures for the Perkins Loan Program is equal to the sum of this administrative cost allowance, balance outstanding at June 30, 2017, and the loans issued during the year ended June 30, 2018. There were no federal capital contributions to the Perkins Loan Program during the year ended June 30, 2018.

SYRACUSE UNIVERSITY

Notes to Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

The Nursing Student Loan Program (CFDA 93.364) listed below is administered directly by the University, and balances and transactions relating to this program are included in the University's financial statements. Loan activities and balances consist of the following:

	<u>Balance as of June 30, 2017</u>	<u>Loans issued</u>	<u>Payments and adjustments</u>	<u>Balance as of June 30, 2018</u>
\$	6,632	—	(2,882)	3,750

As required by the Uniform Guidance, the amount shown on the Schedule as expenditures for the Nursing Student Loan Program is equal to the sum of the balance outstanding at June 30, 2017 and the loans issued during year ended June 30, 2018. There were no federal capital contributions to the Nursing Student Loan Program during the year ended June 30, 2018.

(3) Federal Direct Student Loans

During the year ended June 30, 2018, the University processed new loans of \$157,364,877 under the Federal Direct Student Loans program.

With respect to this program, the University is responsible only for the performance of certain administrative duties and, accordingly, these loans are not included in the University's consolidated financial statements. It is not practical to determine the balances of loans outstanding to students of the University under the Federal Direct Student Loans program as of June 30, 2018.

(4) Facilities and Administrative Costs

The University has obtained predetermined facilities and administrative cost rates for fiscal year 2018, which have been reviewed and approved by the U.S. Department of Health and Human Services. The base rate for on-campus research was 50.0% and for off-campus research was 26.0%. The University did not elect to utilize the 10% de minimus indirect cost rate in Part 200.514 of the Uniform Guidance.

Total facilities and administrative costs recovered for fiscal year 2018 amounted to approximately \$8.9 million.



KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
Syracuse University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Syracuse University (the University), which comprise the consolidated statement of financial position as of June 30, 2018, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 25, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

September 25, 2018



KPMG LLP
515 Broadway
Albany, NY 12207-2974

**Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of Expenditures
of Federal Awards Required by the Uniform Guidance**

The Board of Trustees
Syracuse University:

Report on Compliance for Each Major Federal Program

We have audited Syracuse University's (the University's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2018. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance



for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Supplementary Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of the University as of and for the year ended June 30, 2018, and have issued our report thereon dated September 25, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedule of expenditures of federal awards (the Schedule) is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

KPMG LLP

March 27, 2019

SYRACUSE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2018

(1) Summary of Auditors' Results

- (a) Type of report issued on whether the financial statements were prepared in accordance with U.S. generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- (c) Noncompliance material to the financial statements: **No**
- (d) Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- (e) Type of report issued on compliance for major programs: **Unmodified**
- (f) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?: **No**
- (g) Major programs:
 - Student Financial Assistance Cluster – various CFDA numbers
 - Department of the Army – CFDA 12.000
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$1,370,542**
- (i) Auditee qualified as a low-risk auditee: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

None