



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, 2019

SYRACUSE UNIVERSITY

Independent Auditors' Reports as Required by Title 2
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Year ended June 30, 2019

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KPMG LLP
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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 balance sheets as of June 30, 2019 and 2018, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 and subsidiaries as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matters

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019 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 27, 2019

SYRACUSE UNIVERSITY

Consolidated Balance Sheets

June 30, 2019 and 2018

(Thousands of dollars)

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

See accompanying notes to consolidated financial statements.

SYRACUSE UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2019

(With Comparative Totals for the Year ended June 30, 2018)

(Thousands of dollars)

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

See accompanying notes to consolidated financial statements.

SYRACUSE UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2018

(Thousands of dollars)

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

See accompanying notes to consolidated financial statements.

SYRACUSE UNIVERSITY
Consolidated Statements of Cash Flows
Years ended June 30, 2019 and 2018
(Thousands of dollars)

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

See accompanying notes to consolidated financial statements.

SYRACUSE UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(1) Organization

Syracuse University (the University) is a private, not-for-profit, coeducational and residential university granted a charter by the State of New York in 1870. The University operates under the direction of an independent Board of Trustees as an education corporation under the New York Not-for-Profit Corporation Law. The University has a total enrollment of approximately 22,800 students, including approximately 15,300 full-time undergraduate and law students, approximately 3,900 full-time master's and doctoral students, and approximately 3,600 part-time students. Geographically, the undergraduate student body represents 50 states and 92 foreign countries. The University offers approximately 500 degree and certificate programs in the following 13 schools and colleges: the School of Architecture; the College of Arts and Sciences; the School of Education; the College of Engineering and Computer Science; the Graduate School; the David B. Falk College of Sport and Human Dynamics; the School of Information Studies; the College of Law; the Martin J. Whitman School of Management; the Maxwell School of Citizenship and Public Affairs; the S.I. Newhouse School of Public Communications; the College of Visual and Performing Arts; and University College.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP), and include the accounts of Syracuse University, Syracuse University (USA) London Program, Drumlins, Inc., Orange Insurance Company, LLC, Syracuse University Alumni Association, Inc. and Syracuse University Hotel and Conference Center LLC.

(b) Reclassifications

Certain reclassifications have been made to the 2018 information to conform to the 2019 presentation that are primarily related to changes in the functional classification of certain ancillary student related expenses from auxiliaries to student services.

(c) Net Asset Classes

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

Without donor restrictions net assets are not subject to donor stipulations restricting their use, but may be designated for specific purposes by the University or may be limited by contractual agreements with outside parties.

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

(d) Revenue from Contracts with Customers

Under Accounting Standards Codification Topic 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the

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Notes to Consolidated Financial Statements

June 30, 2019 and 2018

consideration to which the University expects to be entitled in exchange for those goods or services (i.e., the transaction price).

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

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

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

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

(e) Revenue from Grants and Contracts

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

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

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

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Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(f) Contributions

Contributions, including unconditional pledges, are recognized at their fair values as revenues when donors' commitments are received. Conditional pledges become unconditional and are recognized as revenues when the conditions are substantially met. Unconditional pledges, net of an allowance for doubtful amounts, are reported at their estimated net present values, and are classified as with donor restrictions. Gifts whose restrictions are met in the same fiscal year as their receipt are reported as contributions without donor restrictions. Similarly, purpose-restricted investment returns earned during the same fiscal year in which those restrictions are met are reported as investment return without donor restrictions.

(g) Cash and Cash Equivalents

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

(h) Investments

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

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

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

(j) Fair Value

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

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

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

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June 30, 2019 and 2018

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

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

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

(k) Operations

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

(l) Estimates

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

(m) Income Taxes

The University is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes pursuant to Section 501(a) of the Internal Revenue Code. Orange Insurance Company, LLC and Syracuse University Hotel and Conference Center LLC, are wholly owned by the University and are reported in the University's income tax filings. Syracuse University Alumni Association, Inc. is a tax-exempt organization, of which the University is the sole member that files its own tax returns. Drumlins, Inc. is a taxable subsidiary of the University and files its own tax returns. The Syracuse University (USA) London Program, created for the advancement of education, is a registered charity under the laws of England. The income tax consequences, if any, from these entities are reflected in the consolidated financial statements, and do not have a material effect, individually or in the aggregate, on the University's consolidated financial statements. The University believes it has taken no significant uncertain tax positions.

(n) Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, which is

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Notes to Consolidated Financial Statements

June 30, 2019 and 2018

intended to improve the financial reporting requirements for revenue from contracts with customers. The ASU establishes a five-step model and application guidance for determining the timing and amount of revenue recognition. The related application guidance in the ASU replaces most existing revenue recognition guidance in GAAP. The University's adoption of the ASU in fiscal 2019 on a modified retrospective basis did not have a material effect on the University's consolidated financial statements.

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

(3) Financial Assets and Liquidity Resources

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

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

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

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Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(4) Receivables

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

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

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

Unconditional pledges and matured bequests at June 30, 2019 and June 30, 2018 are restricted by donors predominantly for scholarships, other operating, and capital expenditure purposes. They are expected to be realized in the following periods (in thousands of dollars):

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

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

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

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Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(5) Investments

The investment objective of the University is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation. The University diversifies its investments among asset classes by incorporating several strategies and managers. Major investment decisions are authorized by the Investment and Endowment Committee of the University's Board of Trustees.

In addition to equity and fixed income investments, the University may also hold shares or units in institutional funds and alternative investment funds involving hedged, private partnerships, and real assets strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists, and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments. Private partnership funds generally employ buyout, venture capital, and debt related strategies and often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Real asset funds include investments in companies whose businesses are typically related to natural resources and real estate.

Fair values for shares in registered mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year and are classified in Level 1 of the fair value hierarchy. The University's interests in alternative investment funds are generally reported at the NAV reported by the fund managers. NAV is used as a practical expedient to estimate the fair value of the University's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2019 and June 30, 2018, the University had no specific plans or intentions to sell investments at amounts different than NAV.

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Notes to Consolidated Financial Statements
June 30, 2019 and 2018

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

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

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The University's investments at June 30, 2018 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	\$ 226,532	3,812	\$ 230,344
International equity	Daily	136,368	1,716	138,084
Fixed income	Daily	135,474	19,679	155,153
Real asset	Daily	48,481		48,481
Total marketable securities		546,855	25,207	572,062
Commingled funds:				
International equity	Monthly	59,642		59,642
Fixed income	Daily to monthly	60,418		60,418
Total commingled funds		120,060		120,060
Funds held or administered by others	Not applicable	1,277	25,443	26,720
Subtotal		668,192	50,650	718,842
Investments measured at net asset value:				
Commingled fund:				
International equity	Monthly			22,155
Hedge funds:				
Long/short	Monthly to illiquid			232,287
Multi-strategy	Quarterly to illiquid			84,257
Other	Monthly to illiquid			50,550
Private partnerships:				
Buyout	Illiquid			135,332
Venture capital	Illiquid			90,403
Debt related	Illiquid			24,508
Real asset	Illiquid			47,164
Subtotal				686,656
Total		\$ 668,192	\$ 50,650	\$ 1,405,498

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

There were no transfers between Level 1 and Level 2 for the fiscal years ended June 30, 2019 or June 30, 2018.

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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 4.6 years and 4.3 years as of June 30, 2019 and June 30, 2018, respectively. At June 30, 2019, the University's outstanding commitments to private partnerships totaled \$215.5 million. Private partnerships are considered to be illiquid because distributions are made upon the liquidation of underlying investments.

Certain of the University's hedge fund investments are illiquid as a result of restrictions that include contractual lock up provisions, redemption notification requirements, and other restrictions. Restrictions on hedge fund investments totaling \$41.4 million and \$27.5 million expire in fiscal year 2020 and 2022, respectively.

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

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

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

(6) Endowment Funds

The University's endowment consists of approximately 2,400 individual funds which include both donor restricted endowment funds and funds designated by the University to function as quasi endowments. These individual funds have been established for a variety of purposes, with the majority of them established for scholarships and endowed chairs.

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

The trustee Investment and Endowment Committee (IEC) approves the annual distribution rates and spending amount for the University's investment funds. Per unit distributions are calculated by multiplying the average of the monthly unit market values during the previous three calendar years by the percentage approved by the Committee each year. The percentage approved for fiscal years 2019 and 2018 was 3.84%. In addition, other distributions approved by the IEC of \$0 million and \$3.7 million were made in fiscal years 2019 and 2018, respectively.

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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, 2019 and 2018, there was none and one endowment fund underwater where the donor had requested that spending not occur if the endowment was underwater, respectively.

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At June 30, 2019 and June 30, 2018, net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions and consisted of the following (in thousands of dollars):

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

	<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>

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

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

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	2018		
	<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	<u>2,698</u>	<u>224</u>	<u>2,922</u>
Net assets at June 30, 2018	<u>\$ 691,744</u>	<u>\$ 636,404</u>	<u>\$ 1,328,148</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, 2019 and June 30, 2018 (in thousands of dollars):

	<u>2019</u>	<u>2018</u>
Land and land improvements	\$ 98,609	\$ 96,388
Buildings and buildings' equipment	2,006,814	1,846,771
Equipment	130,776	121,312
Library and art collections	<u>238,727</u>	<u>233,693</u>
	2,474,926	2,298,164
Accumulated depreciation	<u>(1,239,941)</u>	<u>(1,167,430)</u>
Total	<u>\$ 1,234,985</u>	<u>\$ 1,130,734</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, 2019 and June 30, 2018 is set forth below (in thousands of dollars):

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

(a) Periodic Auction Reset Securities (PARS) bonds have their interest rates set at weekly auctions. The interest rates at June 30, 2019 and June 30, 2018 were 3.51% and 2.91%, respectively, for Series 1999A 3.45% and 2.87%, respectively for Series 1999B. The University makes weekly payments of the interest to the bondholders through the trustee. The University may make prepayments of principal, and is required to pay any remaining principal balance on December 1, 2029, the maturity date of the bonds.

(b) Variable rate revenue bonds have their interest rates set weekly. The interest rates at June 30, 2019 and June 30, 2018 were 1.78% and 1.46%, respectively, for both Series 2005A and Series 2005B. The University makes monthly payments of interest to the bondholders through the trustee. The University may make prepayments of principal, and is required to pay any remaining principal balance on December 1, 2035, the maturity date of the bonds.

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- (c) Variable rate revenue bonds have their interest rates set daily and weekly for Series 2008A and Series 2008B, respectively. The interest rates at June 30, 2019 and June 30, 2018 were 1.90% and 1.53%, respectively, for Series 2008A, and 1.78% and 1.46%, respectively, for Series 2008B. The University makes monthly payments of interest to the bondholders through the trustee. As of July 1, 2009, the University became subject to annual mandatory sinking fund redemptions. In addition, the University has the ability to make prepayments of principal, and is required to pay any remaining principal balance on Series 2008A-1 and Series 2008B on July 1, 2037 and on December 1, 2037 for Series 2008A-2, the maturity dates of the bonds.
- (d) Variable rate revenue bonds have their interest rates set weekly. The interest rates at June 30, 2019 and June 30, 2018 were 1.70% and 1.49%, respectively. The University makes monthly payments of interest to the bondholders through the trustee. The University may make prepayments of principal, and is required to pay any remaining principal balance on December 31, 2029, the maturity date of the bonds.
- (e) Fixed rate bonds have interest rates at date of issuance ranging from 3.0% to 5.0% depending on the underlying principal maturity date. These bonds were issued at a premium that is being amortized using the effective interest method over the remaining life of each of the terms of the bonds, resulting in an effective yield ranging from 0.75% to 3.48%. The University makes semi-annual payments of interest to the bondholders through the trustee. In addition, the University makes annual payments of principal to the bondholders through the trustee on a portion of the bonds for fiscal years 2011 through 2020. The University may make prepayments of principal, and is required to pay any remaining principal balance on December 1, 2019, the maturity date of the bonds.
- (f) Fixed rate bonds have interest rates at date of issuance ranging from 3.0% to 5.0% depending on the underlying principal maturity date. These bonds were issued at a premium that is being amortized using the effective interest method over the remaining life of each of the terms of the bonds, resulting in an effective yield ranging from 0.53% to 4.70%. The University makes semi-annual payments of interest to the bondholders through the trustee. In addition, the University makes annual payments of principal to bondholders through the trustee on a portion of the bonds for fiscal years 2013 through 2032. The other portions of the bonds maturing in fiscal year 2037 are subject to mandatory redemption on specific sinking fund redemption dates occurring in fiscal years 2033 to 2037.
- (g) Fixed rate bonds have interest rates at date of issuance ranging from 2.0% to 5.0% depending on the underlying principal maturity date. These bonds were issued at a premium that is being amortized using the effective interest method over the remaining life of each of the terms of the bonds, resulting in an effective yield ranging from 0.31% to 4.97%. The University makes semi-annual payments of interest to the bondholders through the trustee. In addition, the University makes annual payments of principal to bondholders through the trustee on a portion of the bonds for fiscal years 2015 through 2034. The other portions of the bonds maturing in fiscal year 2039 are subject to mandatory redemption on specific sinking fund redemption dates occurring in fiscal years 2035 to 2039.
- (h) Loan agreement with JPMorgan Chase Bank, N.A., which is guaranteed by the University. It bears interest at a rate per annum equal to the adjusted LIBOR rate for the applicable interest period plus 0.40% at June 30, 2019 and June 30, 2018. The applicable LIBOR margin per annum is adjusted based on the Moody's rating assigned to the financial strength of the University at the onset of each interest period. At June 30, 2019 and June 30, 2018, the interest rates were 2.44% and 2.38%,

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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):

<u>Fiscal year</u>	<u>Amount</u>
2020	\$ 35,660
2021	5,510
2022	5,725
2023	5,970
2024	6,235
Thereafter	<u>365,680</u>
Total	<u>\$ 424,780</u>

The University has entered into interest rate swap agreements with two counterparties as a hedge against interest rate fluctuations for variable interest rate debt. The University received variable payments equal to 68% of the one-month LIBOR rate from two counterparties for six swap agreements. The University received variable payments equal to the one-month LIBOR rate plus 0.55% from one counterparty for one interest rate swap agreement. As of June 30, 2019 and June 30, 2018, there were requirements to collateralize the obligations under the interest rate swap agreements in the amounts of \$30.4 million and \$14.6 million, respectively.

As of June 30, 2019, the University paid two counterparties a weighted average fixed interest rate of 3.679% on a total notional amount of \$292.7 million, which related to its variable interest rate revenue bonds. As of June 30, 2018, the University paid two counterparties a weighted average fixed interest rate of 3.680% on a total notional amount of \$294.2 million, which related to its variable interest rate revenue bonds. The University paid one counterparty a fixed interest rate of 5.303% on notional amounts of \$5.4 million and \$6.1 million as of June 30, 2019 and June 30, 2018, respectively, that related to its loan with JPMorgan Chase Bank, N.A.

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

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

The University had letters of credit and a surety bond aggregating approximately \$265.6 million at June 30, 2019 and \$267.1 million at June 30, 2018 related to its variable interest rate long-term debt and to potential

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claims under the University's workers' compensation plan. Expiration dates range from fiscal 2020 to fiscal 2021 and there were no outstanding amounts against the letters of credit or surety bond.

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

(9) Capital Lease Obligation

The University leases a building under a capitalized lease that expires in December 2027. The gross leased asset was \$3.4 million at both June 30, 2019 and June 30, 2018. At June 30, 2019 and June 30, 2018, accumulated depreciation in the consolidated balance sheet was \$1.6 million and \$1.4 million, respectively, relating to this lease.

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

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

(10) Foreign Currency Forward Contracts

At June 30, 2019 and June 30, 2018, the University had commitments for foreign currency forward contracts with notional values of \$20.3 million and \$19.6 million, respectively, to hedge foreign exchange rate exposure for its programs abroad. Fair values of foreign currency forward contract commitments of \$(0.4) million and \$0.2 million, were included in other assets, at June 30, 2019 and June 30, 2018, respectively. The foreign currency forward contracts are classified as Level 2 in the fair value hierarchy. For the years ended June 30, 2019 and June 30, 2018, the decrease of \$0.6 million and increase of \$1.1 million, respectively, in fair values of foreign currency forward contract commitments were included in the returns from investments and other financial instruments, excluding distributions from endowments.

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(11) Net Assets

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

	<u>2019</u>		<u>2018</u>	
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>
Undesignated	\$ 832,464		\$ 775,993	
Pledges and matured bequests receivable		\$ 65,416		\$ 70,720
Other		23,184		11,198
Funding for facilities		18,208		11,807
Funding for student loans		4,286		4,182
Life income, annuity, and similar funds		27,768		27,250
Endowment funds:				
Scholarships	43,516	325,249	41,912	308,444
Endowed chairs	16,400	163,582	15,842	156,012
Other	653,156	182,249	633,990	171,948
Total net assets	<u>\$ 1,545,536</u>	<u>\$ 809,942</u>	<u>\$ 1,467,737</u>	<u>\$ 761,561</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, 2019 and June 30, 2018 (in thousands of dollars):

2019						
	Salaries and benefits	Supplies and services	Occupancy and related expenses	Depreciation and interest	Other operating expenses	Totals
Instruction and departmental research	\$ 273,138	\$ 83,000	\$ 26,584	\$ 30,578	\$ 26,021	\$ 439,321
Sponsored research and other programs	35,929	14,449	3,022	4,626	8,879	66,905
Academic support	90,584	8,897	14,205	13,636	1,830	129,152
Student services	81,360	19,491	10,057	5,832	30,627	147,367
Institutional support	78,330	23,104	4,270	5,887	14,561	126,152
Auxiliaries	40,041	4,684	8,210	35,056	29,324	117,315
Total expenses	\$ 599,382	\$ 153,625	\$ 66,348	\$ 95,615	\$ 111,242	\$ 1,026,212
2018						
	Salaries and benefits	Supplies and services	Occupancy and related expenses	Depreciation and interest	Other operating expenses	Totals
Instruction and departmental research	\$ 262,805	\$ 64,886	\$ 23,837	\$ 29,312	\$ 16,111	\$ 396,951
Sponsored research and other programs	37,599	16,628	5,756	4,777	8,037	72,797
Academic support	85,778	5,663	13,173	13,629	1,408	119,651
Student services	75,225	18,326	7,135	4,890	32,343	137,919
Institutional support	71,543	15,211	3,266	5,747	14,287	110,054
Auxiliaries	38,303	3,807	9,099	34,760	31,348	117,317
Total expenses	\$ 571,253	\$ 124,521	\$ 62,266	\$ 93,115	\$ 103,534	\$ 954,689

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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 2019 and 2018 were approximately \$35.6 million and \$34.1 million, respectively.

The University also provides health and life insurance benefit plans for eligible employees upon retirement at the University's early or normal retirement ages. The plans are funded by the University as claims are paid. Information with respect to the plans is as follows (in thousands of dollars):

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

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

	2019		2018
Actuarial gain	\$ 2,606	\$	5,318
Gain on plan amendment			1,274
Amortization of:			
Actuarial (gain) loss	(326)		77
Prior service credits	(160)		(251)
	\$ 2,120	\$	6,418

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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):

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

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

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

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

The net benefits expected to be paid in each fiscal year from 2019 through 2024 are approximately \$2.3 million and the net aggregate expected payments including years through fiscal year 2029 total approximately \$24.8 million. The expected benefits are based on the assumptions used to measure the University's benefit obligation at June 30, 2019, and include estimated future employees' service.

In addition to service and interest costs, the components of projected net periodic postretirement benefit cost for fiscal year 2019 are amortization of prior service credits of approximately \$0.2 million and amortization of actuarial gain of approximately \$0.3 million. The unamortized prior service credits and unamortized net actuarial loss were \$1.3 million and \$6.2 million, respectively, at June 30, 2019.

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June 30, 2019 and 2018

(14) Contingencies and Commitments

The University is involved in legal actions arising in the normal course of activities and is subject to periodic audits and inquiries by regulatory agencies. Although the ultimate outcome of such matters is not determinable at this time, management, after taking into consideration advice of legal counsel, believes that the resolutions of pending matters will not have a materially adverse effect, individually or in the aggregate, upon the University's consolidated financial statements.

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

(15) Subsequent Events

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

SYRACUSE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

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:				
Consumer Data and Nutrition Research	10.253	Direct	\$ 11,158	83,279
Consumer Data and Nutrition Research – Tufts University	10.253	101383-00001		14,109
Consumer Data and Nutrition Research – University of Kentucky	10.253	320000900-17-236		2,740
Consumer Data and Nutrition Research – University of Kentucky	10.253	304810944-18-038	1,719	16,278
			12,877	116,406
Agriculture and Food Research Initiative (AFRI)	10.310	Direct	136,173	338,773
Agriculture and Food Research Initiative (AFRI) – Boston University	10.310	4500002373		61,254
Agriculture and Food Research Initiative (AFRI) – Clarkson University	10.310	101011-2		41,115
Agriculture and Food Research Initiative (AFRI) – Iowa State University	10.310	416-42-10B		5,834
Agriculture and Food Research Initiative (AFRI) – Michigan State University	10.310	RC102281SU		25,517
Agriculture and Food Research Initiative (AFRI) – University of Tennessee	10.310	A15-0169-S004		47,926
Subtotal			136,173	520,419
Forestry Research – Research Foundation State University of New York Partnership Agreements	10.652 10.699	69461 Direct		9,272 32,010
Total Department of Agriculture			149,050	678,107
Department of Commerce:				
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program – Mississippi State University	11.427	010500.322657.01		6,943
Measurement and Engineering Research and Standards	11.609	Direct		9,288
Total Department of Commerce			—	16,231
Department of Defense:				
Air Force Office of Scientific Research – Sicore Technologies	12.000	S-SU2017-001		71,368
Air Force Research Laboratory	12.000	Direct		64,630
Air Force Research Laboratory – Andro Computational Solutions	12.000	ACS-15-AF15-AT16-II-02		25,970
Air Force Research Laboratory – Assured Information Security	12.000	C233-SD		52,634
Air Force Research Laboratory – Assured Information Security	12.000	PO1041C		24,754
Air Force Research Laboratory – Boston Fusion Corp	12.000	BF-5040-SK001		74,638
Air Force Research Laboratory – Massachusetts Institute of Technology	12.000	5710003716	57,437	322,104
Air Force Research Laboratory – Spectral Energies, LLC	12.000	SB1614-001-1		7,019
Air Force Research Laboratory – Spectral Energies, LLC	12.000	SB1614-001-2		8,516
Air Force Research Laboratory – Technergetics, LLC	12.000	FA8750-16-C-0130-002		59,199
Air Force Research Laboratory – University of Dayton Research Institute	12.000	RSC17011		3,021
Army Research Office – University of Southern California	12.000	87889280		15,323
Defense Advanced Research Projects Agency – Assured Information Security	12.000	C240-SA		159,187
Defense Advanced Research Projects Agency – Critical Technologies	12.000	D15PC00175		20,243
Defense Advanced Research Projects Agency – University of Utah	12.000	10043028		37,763
Defense Advanced Research Projects Agency – University of Maryland	12.000	67430-Z9246202		30,171
Department of the Navy – Aptima	12.000	1240-2061		61,933
Department of the Navy – Duke University	12.000	283-1500		41,491
Intelligence Advanced Research Projects Agency	12.000	Direct	708,512	1,347,507
Intelligence Advanced Research Projects Agency – IBM	12.000	4916006254		126,131
Missile Defense Agency – Novateur Research Solutions	12.000	SYRACUSE-SUBK-MDA15-T001		8,333
Novateur Research Solutions	12.000	SYRACUSE-SUBK-MDA15-T001-Phase2		167,527
Naval Facilities Engineering and Expeditionary Warfare Center	12.000	Direct		28,012
US Army Medical Research and Materiel Command – Critical Link LLC	12.000	2018-1		59,787
SRC, INC	12.000	SCRS02102		2,110
Subtotal			765,949	2,819,371
Air Force Research Laboratory – Basic and Applied Scientific Research	12.300	Direct		88,936
Office of Naval Research – Basic and Applied Scientific Research	12.300	Direct	127,424	586,836
Office of Naval Research – Basic and Applied Scientific Research – Regents of the University of Michigan	12.300	3004683942		54,394
Office of Naval Research – Basic and Applied Scientific Research – University of Maryland	12.300	69703-Z8143201		35,372
Subtotal			127,424	765,538
Military Medical Research and Development	12.420	Direct	\$	79,376
Army Research Office – Basic Scientific Research – University of Wisconsin – Madison	12.431	622K786		21,028
University of Wisconsin – Madison	12.431	814K542		283,081
Department of the Army – Basic Scientific Research	12.431	Direct		183,487
Subtotal			—	487,596

SYRACUSE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

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
Air Force Defense Research Sciences Program	12.800	Direct	339,364	895,795
Air Force Defense Research Sciences Program – Wright Patterson AFB	12.800	FA8650-18-2-6978		36,230
Air Force Defense Research Sciences Program – The Boeing Company	12.800	1639476		9,590
Subtotal			<u>339,364</u>	<u>941,615</u>
National Security Agency – CyberSecurity Core Curriculum	12.905	Direct		126,470
Total Department of Defense			<u>1,232,737</u>	<u>5,219,966</u>
Department of the Interior:				
Cooperative Research and Training Programs – Resources of the National Park System – University of Colorado	15.945	1555321		737
National Park Service Conservation, Protection, Outreach and Education	15.954	Direct		12,695
Assistance to State Water Resources Research Institutes – Cornell University	15.805	78963-11098		14,602
Total Department of the Interior			—	<u>28,034</u>
Department of Justice:				
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	Direct	25,814	103,515
National Institute of Justice W.E.B. DuBois Fellowship Program	16.566	Direct	20,865	56,206
National Institute of Justice W.E.B. DuBois Fellowship Program – Pennsylvania State University	16.566	5824-SU-NIJ-0017		44,223
Subtotal			<u>20,865</u>	<u>100,429</u>
Total Department of Justice – National Institute of Justice			<u>46,679</u>	<u>203,944</u>
Department of Labor:				
Disability Employment Policy Development – Onondaga Community College	17.720	OCC14-024		73,448
Total Department of Labor			—	<u>73,448</u>
National Aeronautics and Space Administration:				
National Aeronautics and Space Administration – Pointwise	43.000	30260		16,956
NASA Langley Research Center – Aeronautics	43.002	Direct	56,561	124,527
Total National Aeronautics and Space Administration			<u>56,561</u>	<u>141,483</u>
National Endowment For the Humanities:				
Promotion of the Arts Grants to Organizations and Individuals	45.024	Direct		50,000
Total National Endowment for the Humanities			—	<u>50,000</u>
Institute of Museum and Library Science:				
Institute of Museum and Library Science – National Leadership Grants	45.312	Direct		198,811
Laura Bush 21st Century Librarian Program	45.313	Direct	75	13,064
Laura Bush 21st Century Librarian Program – Illinois State Library	45.313	17SL528002		25,884
Subtotal			<u>75</u>	<u>38,948</u>
Total Institute of Museum and Library Science			<u>75</u>	<u>237,759</u>
National Science Foundation:				
Engineering Grants	47.041	Direct	69,040	996,771
Engineering Grants – Automodality	47.041	1746729		52,773
Engineering Grants – Iowa State University	47.041	4206507A		38,568
Engineering Grants – Ohio State University	47.041	60064237		85,286
Subtotal			<u>69,040</u>	<u>1,173,398</u>
Mathematical and Physical Sciences	47.049	Direct	21,176	6,900,244
Mathematical and Physical Sciences – California State University Fullerton Auxiliary Services Corp	47.049	S-6149-SYSE		31,900
Mathematical and Physical Sciences – CRDF Global	47.049	OISE-17-63891-01		41,620
Mathematical and Physical Sciences – University of Notre Dame	47.049	PHY-0715396		2,895
Mathematical and Physical Sciences – University of Wisconsin – Milwaukee	47.049	183405344/144AC6237		22,979
Subtotal			<u>21,176</u>	<u>6,999,638</u>
Geosciences	47.050	Direct	\$	841,471
Computer and Information Science and Engineering	47.070	Direct	236,501	2,059,159
Computer and Information Science and Engineering – Northwestern University	47.070	SP0034128-PROJ0009129		25,364
Computer and Information Science and Engineering – University of Illinois	47.070	087856-16493		84,183
Subtotal			<u>236,501</u>	<u>2,168,706</u>
Biological Sciences	47.074	Direct	83,913	1,391,306
Biological Sciences – Cary Institute of Ecosystem Studies	47.074	3298/200201810		1,428
Biological Sciences – Cary Institute of Ecosystem Studies	47.074	3340/200201861		61,123

SYRACUSE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

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
Subtotal			83,913	1,453,857
Social, Behavioral, and Economic Sciences	47.075	Direct	192,476	1,302,224
Social, Behavioral, and Economic Sciences – Arizona State University	47.075	16-796		112,894
Subtotal			192,476	1,415,118
Education and Human Resources	47.076	Direct	406,747	2,192,583
Office of Cyberinfrastructure	47.080	Direct		3,892
Total National Science Foundation			1,009,853	16,248,663
Environmental Protection Agency: Science To Achieve Results (STAR) Research Program – Georgia Institute of Technology	66.509	RG626-G2		21,027
Total Environmental Protection Agency			—	21,027
Department of Energy:				
Brookhaven National Laboratory	81.000	339014		265
Brookhaven National Laboratory	81.000	363806		8,405
Lawrence Berkeley National Laboratory – Colorado School of Mines	81.000	401379-5801		32,302
FERMI National Accelerator Laboratory	81.000	650881		9,621
Subtotal			—	50,593
Office of Science Financial Assistance Program	81.049	Direct		808,955
Office of Science Financial Assistance Program – University of Iowa	81.049	S00458-01		20,880
Subtotal			—	829,835
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	Direct	20,112	158,741
Nuclear Energy Research, Development and Demonstration	81.121	Direct	138,196	282,492
Advanced Research Projects Agency – Energy	81.135	Direct	236,099	365,706
Advanced Research Projects Agency – Energy N5 Sensors Inc.	81.135	N5_DESSYR18_1_00		6,599
Subtotal			236,099	372,305
Total Department of Energy			394,407	1,693,966
Department of Education:				
Overseas Programs – Doctoral Dissertation Research Abroad	84.022	Direct		71,131
Rehabilitation Training Technical Assistance Centers – Continuing Education San Diego State University	84.264	SA0000493		166,230
Education Research, Development and Dissemination – Tulane University	84.305	TUL-SCC-556406-18/19		82,219
Education Research, Development and Dissemination	84.305	Direct	151,861	186,636
Subtotal			151,861	268,855
Total Department of Education			151,861	506,216
Department of Health and Human Services:				
National Institutes of Health:				
Special Programs for the Aging, Title III, Part C Nutrition Services – University of Rochester	93.045	417004/URFAOGR510587		41,060
Research on Research Integrity	93.085	Direct		54,521
Research Related to Deafness and Communication Disorders	93.173	Direct		109,155
Research Related to Deafness and Communication Disorders – Research Foundation of CUNY	93.173	41884-C		110,262
Research Related to Deafness and Communication Disorders – Vanderbilt University	93.173	VUMC43732		255,165
Research Related to Deafness and Communication Disorders – New York University	93.173	F1072-02		42,795
Subtotal			—	517,377
Mental Health Research Grants	93.242	Direct		221,825
Mental Health Research Grants – Portland State University	93.242	207RAY572		4,490
Subtotal			—	226,315
Alcohol Research Programs	93.273	Direct	\$ 499,520	1,236,690
National Institute On Alcohol Abuse and Alcoholism – Alcohol Research Programs – University of California, San Francisco	93.273	10946sc		26,891
National Institute On Alcohol Abuse and Alcoholism – Alcohol Research Programs – University of Rochester	93.273	417390		37,630
Subtotal			499,520	1,301,211
Drug Abuse and Addiction Research Programs Discovery and Applied Research for Technological Innovations to Improve	93.279	Direct	7,835	508,331

SYRACUSE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

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
Human Health Monitoring – Carnegie Mellon University	93.286	1090547-400811		25,528
Minority Health and Health Disparities Research	93.307	Direct		76,721
Diabetes, Digestive, and Kidney Diseases Extramural Research – New York University School of Medicine	93.847	16-A1-00-004770-01		173,473
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Direct	25,327	959,036
Allergy and Infectious Diseases Research	93.855	Direct		44,279
Biomedical Research and Research Training	93.859	Direct	105,187	1,686,473
Child Health and Human Development Extramural Research	93.865	Direct	75,058	576,735
Child Health and Human Development Extramural Research – Lemoyne College	93.865	01R15HD076379		52,002
Child Health and Human Development Extramural Research – Research Foundation State University of New York	93.865	1123871/71013		23,669
Child Health and Human Development Extramural Research – Central Michigan University	93.865	F63374		41,191
Subtotal			75,058	693,597
Aging Research	93.866	Direct	219,554	570,600
Aging Research – Johns Hopkins University	93.866	U01AG032947		18,249
Aging Research – University of Kentucky	93.866	3200002223-19-099		46,879
Aging Research – University of Michigan	93.866	SUBK00010836		9,332
Subtotal			219,554	645,060
Vision Research	93.867	Direct	2,250	58,683
<i>Administration For Children and Families:</i>				
Social Services Research and Demonstration – University of Missouri	93.647	C00058801-1		6,217
<i>Administration For Community Living:</i>				
ACL National Institute on Disability, Independent Living and Rehabilitation Research	93.433	Direct	388,521	2,305,573
ACL National Institute on Disability, Independent Living and Rehabilitation Research – Carnegie Mellon University	93.433	1090516-389438		175,720
ACL National Institute on Disability, Independent Living and Rehabilitation Research – Memorial Hermann Health System	93.433	ADA-SYRU-2-16	8,965	41,041
ACL National Institute on Disability, Independent Living and Rehabilitation Research – Memorial Hermann Health System	93.433	18-1835		66,095
Subtotal			397,486	2,588,429
<i>Substance Abuse and Mental Health Services Administration</i>				
Policy Research and Evaluation Grants University of Wisconsin – Madison	93.239	808K253		22,125
Subtotal			—	22,125
Total Department of Health and Human Services			1,332,217	9,628,436
<i>Social Security Administration:</i>				
Social Security Research and Demonstration – Boston College	96.007	5002112-01		28,956
Social Security Research and Demonstration – Boston College	96.007	5107171-01		80,270
Total Social Security Administration			—	109,226
<i>Agency for International Development:</i>				
Agency for International Development – Akros Global Health	98.000	SYRU-062016-AIRII		38,971
Total Agency for International Development			—	38,971
<i>Marine Mammal Commission:</i>				
Marine Mammal Commission	99.000	Direct		12,134
Total Marine Mammal Commission			—	12,134
Total Research and Development Cluster			4,373,440	34,907,611
<i>Student Financial Assistance Cluster:</i>				
<i>Department of Education:</i>				
Federal Supplemental Educational Opportunity Grant	84.007	Direct		2,039,906
Federal Work-Study Program	84.033	Direct	15,727	3,238,593
Federal Perkins Loan Program (note 2)	84.038	Direct		37,639,063
Federal Pell Grant Program	84.063	Direct		13,411,486
Federal Direct Student Loan Program (note 3)	84.268	Direct		164,126,819
Teacher Education Assistance for College and Higher Education Grants	84.379	Direct	\$	214,481
Total Department of Education			15,727	220,670,348
<i>Department of Health and Human Services:</i>				
Nursing Student Loan Program (note 2)	93.364	Direct		3,750
Total Department of Health and Human Services			—	3,750

SYRACUSE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

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
Total Student Financial Assistance Cluster			15,727	220,674,098
Economic Development Cluster:				
Department of Commerce:				
Regional Innovation Strategies	11.020	Direct	51,927	164,057
Total Economic Development Cluster			51,927	164,057
TRIO Cluster:				
Department of Education:				
Student Support Services	84.042	Direct		359,956
McNair Post-Baccalaureate Achievement	84.217	Direct		230,956
Total TRIO Cluster			—	590,912
Other Federal Awards:				
Department of Agriculture:				
Technical Assistance and Training Grants	10.761	Direct		102,944
Solid Waste Management Grants	10.762	Direct		230,705
Total Department of Agriculture			—	333,649
Department of Defense:				
Defense Media Activity	12.000	Direct		762,710
Department of the Army	12.000	Direct		2,142,006
Destination Inspection Contracts	12.000	Direct		16,022
Department of Defense Education Activity – Competitive Grants:				
Promoting K-12 Student Achievement at Military-Connected Schools –				
Indian River Central School District	12.556	02172017		16,167
Indian River Central School District	12.556	20150619		4,258
Indian River Central School District	12.556	20170120		4,677
Lyme Central School District	12.556	10222013		14,123
Watertown Central School District	12.556	02102015		9,212
Watertown Central School District	12.556	11102015		7,026
Watertown Central School District	12.556	01202017		15,085
Air Force Defense Research Sciences Program	12.800	Direct		9,149
Air Force Defense Research Sciences Program – Griffiss Institute	12.800	ICA2018-PIA1-013		15,775
Total Department of Defense			—	3,016,210
Department of Labor:				
Disability Employment Policy Development – Onondaga Community College	17.720	OD-26453-14-75-4-36		42,549
Total Department of Labor			—	42,549
Department of State:				
Public Diplomacy Programs – Summer College – Education USA Academy	19.040	Direct		6,180
Department of State – Institute of International Education	19.000	FST1801-SYR- 5.1.18		174,699
Department of State – Institute of International Education	19.000	FST1801-SYR- 6.5.18		63,404
Academic Exchange Programs – Undergraduate Programs –				
International Research & Exchanges Board	19.009	FY18-YALI-PM-Syracuse-05		114,423
International Research & Exchanges Board	19.009	FY19-YALI-PM-Syracuse-06		58,501
Fullbright International Teachers				
International Research & Exchanges Board	19.010	FY19-FDAI-SU-01		159,960
Academic Exchange Programs – Hubert H. Humphrey Fellowship Programs –				
Institute of International Education	19.010	IIE-0138-SYR-7.1.17		370
Institute of International Education	19.010	HHH1801-Syracuse_7.1.18		285,600
Institute of International Education	19.010	HHH1801-Syracuse_02.1.18		29,993
Institute of International Education	19.010	FST1901_Syracuse_EGSP_2019		5,482
Total Department of State			—	898,612
Department of the Treasury:				
Internal Revenue Service – Low Income Taxpayer Clinics	21.008	Direct		101,134
Total Department of the Treasury			—	101,134
National Aeronautics and Space Administration:				
Office of Stem Engagement (OSTEM) – Cornell University	43.008	76156-10478		26,357
Total National Aeronautics and Space Administration			—	26,357
National Endowment For the Humanities:				
Promotion of the Humanities Challenge Grants	45.130	Direct		15,877
Promotion of the Humanities Office of Digital Humanities	45.169	Direct		43,174
Total National Endowment For the Humanities			—	59,051

SYRACUSE UNIVERSITY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

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
Institute of Museum and Library Science:				
Institute of Museum and Library Science – National Leadership Grants	45.312	Direct	\$	18,094
Total Institute of Museum and Library Science			—	18,094
Small Business Administration:				
Women's Business Ownership Assistance	59.043	Direct		106,611
Veterans Outreach Program	59.044	Direct		1,604,892
Total Small Business Administration			—	1,711,503
Veterans Affairs:				
VA Supportive Services for Veteran Families Program – Economic Opportunity Council of Suffolk	64.033	30112		1,024
Total Veterans Affairs			—	1,024
Environmental Protection Agency:				
Environmental Finance Center Grants	66.203	Direct		97,050
Environmental Finance Center Grants – University of Maryland Surveys, Studies, Investigations, Demonstrations, and Training Grants – Section 1442 of the Safe Drinking Water Act – University of North Carolina	66.203	55068-Z9100201		16,777
University of North Carolina	66.424	5108707		158,237
University of North Carolina	66.424	5111286		46,297
Total Environmental Protection Agency			—	318,361
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		16,095
Cornell University	84.015	75057-10362		6,500
Cornell University	84.015	88039-11128		201,392
Cornell University	84.015	87309-11116		66,749
Fund for the Improvement of Postsecondary Education – Association on Higher Education and Disability	84.116	03042016		31,956
Graduate Assistance in Areas of National Need	84.200	Direct		226,721
Javits Gifted and Talented Students Education	84.206	Direct		351,203
Special Education – Personnel Development to Improve Services and Results for Children with Disabilities	84.325	Direct		22,007
Supporting Effective Instruction State Grants – New York State Education Department	84.367	0247-18-0103		13,674
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407	Direct		469,921
Total Department of Education			—	1,406,218
Department of Health and Human Services:				
National Cancer Institute	93.001	Direct		27,397
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	139701		7,499
Administration For Community Living: Developmental Disabilities Projects of National Significance – Quality Trust for Individuals	93.631	27794		82,672
Total Department of Health and Human Services			—	117,568
Total Other Federal Expenditures			—	8,050,330
Total Expenditures of Federal Awards			\$ 4,441,094	264,387,008

See accompanying notes to schedule of expenditures of federal awards.

SYRACUSE UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

(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, 2019.

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

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:

<u>Balance as of June 30, 2018</u>	<u>Loans issued</u>	<u>Payments and adjustments</u>	<u>Balance as of June 30, 2019</u>
\$ 37,639,063	—	(5,527,710)	32,111,353

As required by the Uniform Guidance, the amount shown on the Schedule as expenditures for the Perkins Loan Program is equal to the balance of loans outstanding at June 30, 2018. Under federal law, the Perkins Loan Program ended on September 30, 2017, and final disbursements under the program were permitted through June 30, 2018.

SYRACUSE UNIVERSITY

Notes to Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

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, 2018</u>	<u>Loans issued</u>	<u>Payments and adjustments</u>	<u>Balance as of June 30, 2019</u>
\$	3,750	—	(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, 2018 and the loans issued during year ended June 30, 2019. There were no federal capital contributions to the Nursing Student Loan Program during the year ended June 30, 2019.

(3) Federal Direct Student Loans

During the year ended June 30, 2019, the University processed new loans of \$164,126,819 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, 2019.

(4) Facilities and Administrative Costs

The University has obtained predetermined facilities and administrative cost rates for fiscal year 2019, 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 2019 amounted to approximately \$8.7 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 and subsidiaries (the University), which comprise the consolidated balance sheet as of June 30, 2019, 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 27, 2019.

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 consolidated 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 27, 2019



KPMG LLP
515 Broadway
Albany, NY 12207-2974

**Independent Auditors' Report on Compliance for 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 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 the University's major federal program for the year ended June 30, 2019. The University's major federal program is 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 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 the University's major federal program 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 the University's major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on 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 its major federal program for the year ended June 30, 2019.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on the major federal program is not modified with respect to this matter.



The University's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing a corrective action plan to address the audit finding included in our auditors' report. The University's response and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.

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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

The University's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing a corrective action plan to address the audit finding included in our auditors' report. The University's response and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.

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 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, 2019, and have issued our report thereon dated September 27, 2019, 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 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 31, 2020

SYRACUSE UNIVERSITY
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

(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: **Yes, identified as Finding 2019-001**
- (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)?: **Yes, identified as Finding 2019-001**
- (g) Major program:
- Student Financial Assistance Cluster – various CFDA numbers
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$1,311,387**
- (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

<i>Finding No:</i>	2019-001 – Enrollment Reporting
<i>Program Information:</i>	Student Financial Assistance – Federal Direct Loan Program, Federal Pell Grant Program
<i>Federal Agency:</i>	U.S. Department of Education
<i>CFDA Numbers:</i>	84.268, 84.063
<i>Federal Award Number:</i>	P268K191906, P063P181906
<i>Federal Award Year:</i>	July 1, 2018 to June 30, 2019

SYRACUSE UNIVERSITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Condition Found

Of the 40 students with enrollment changes selected for testwork, we noted three (3) students whose change in enrollment status were not accurately transmitted within the required timeframe. Each of the three students graduated, but their respective enrollment status was not updated until the following fall resulting in reporting to NSLDS between 45 days and 56 days beyond the 60 day reporting requirement.

Criteria

According to 34 CFR Sections 690.83(b)(2) and 685.309, under the Pell grant and Federal Direct Loan programs, institutions must complete and return the Enrollment Reporting roster file via NSLDS within 15 days of receipt. Enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence.

Identification of Questioned Costs

No questioned costs identified.

Cause

The University properly identified each of the students as having an enrollment change, but due to reporting errors and insufficient review, the students were not timely and accurately captured on the University's rosters as graduated within the appropriate timeframe.

Possible Asserted Effect

Inaccurate and delayed submission of student enrollment status information affects the determinations that lenders and servicers of student loans make related to in-school status, deferments, grace periods, and repayment schedules, as well as the federal government's payment of interest subsidies.

Repeat Finding

A similar finding was not reported in the prior year audit.

Statistical Sampling

The sample was not intended to be, and was not, a statistically valid sample.

Recommendation

We recommend that the University review its policies and procedures related to identification of enrollment changes to identify the causes of the reporting errors and also perform a review of the submitted enrollment changes to the NSLDS to ensure current student status is properly reflected.

Views of Responsible Officials

Management accepts the recommendation. Refer to the University's corrective action plan for further details.



Corrective Action Plan
Year-end June 30, 2019

The following finding was noted during the audit of Federal programs in accordance with 2 CFR 200. Management of Syracuse University agrees with the finding and proposes the following Corrective Action Plan:

Finding Number 2019 – 001: Enrollment Reporting

Corrective Action Plan:

Management agrees that timely and accurate reporting of Enrollment status changes to NSLDS is critical to maintaining compliance with Title IV. The University is working with consultants and plans improvements to processing of enrollment status changes inclusive of the following:

- Follow up on all NSC provided “G Not Applied” reports within 30 days of receipt to better prevent recurrence of error by manual inspection.
- Reviewing our automatic processes for improving our proactive and accurate reporting of transition from Withdraw to Graduation status.
- Verify final separated status by comparison of the NSLDS SCHER4 report with our internal records and reports.

Responsible individual: Siham Doughman, University Registrar

Due date: June 30, 2020