

**St. Lawrence University**

**Consolidated Financial Statements**

**June 30, 2002 and 2001**

## **Report of Independent Accountants**

To the Board of Trustees  
St. Lawrence University  
Canton, New York

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of activities and cash flows present fairly, in all material respects, the financial position of St. Lawrence University at June 30, 2002 and 2001, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

August 16, 2002

# St. Lawrence University

## Consolidated Statements of Financial Position June 30, 2002 and 2001

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<b>Assets</b>	<b>2002</b>	<b>2001</b>
Cash and cash equivalents	\$ 3,296,293	\$ 8,000,065
Accounts receivable, net	1,644,414	2,011,674
Accrued investment income	346,051	929,686
Inventories	1,606,330	1,622,288
Prepaid expenses and other assets	3,607,835	2,076,159
Contributions receivable	20,316,382	11,044,299
Loans receivable, net	3,027,708	2,944,359
Investments, at fair value	207,684,197	197,623,509
Funds held for deferred giving	9,368,394	8,092,091
Land, building and equipment, net	<u>99,901,914</u>	<u>95,408,232</u>
<b>Total Assets</b>	<b><u>\$ 350,799,518</u></b>	<b><u>\$ 329,752,362</u></b>
<b>Liabilities</b>		
Accounts payable and accrued expenses	7,333,974	\$ 7,994,833
Deposits and deferred revenues	2,600,258	2,207,210
Annuities and deferred giving obligations	4,583,141	3,681,978
Federal student loan funds	3,110,725	3,029,764
Accrued postretirement benefits	6,804,432	5,994,830
Debt obligations	<u>87,287,812</u>	<u>45,987,197</u>
<b>Total liabilities</b>	<b>111,720,342</b>	<b>68,895,812</b>
Net assets:		
Unrestricted	143,218,574	179,866,292
Temporarily restricted	25,341,574	16,172,106
Permanently restricted	<u>70,519,028</u>	<u>64,818,152</u>
<b>Total net assets</b>	<b><u>239,079,176</u></b>	<b><u>260,856,550</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 350,799,518</u></b>	<b><u>\$ 329,752,362</u></b>

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

# St. Lawrence University

## Consolidated Statements of Activities Years Ended June 30, 2002 and 2001

	2002			Total	2001 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating activities:					
Tuition and fees	\$ 50,549,817	\$ -	\$ -	\$ 50,549,817	\$ 48,427,769
Room and board revenues	13,338,753	-	-	13,338,753	12,506,918
Less:					
Student financial aid-institutional	(24,533,324)	-	-	(24,533,324)	(23,440,561)
Student financial aid-government SEOG	(572,659)	-	-	(572,659)	(473,680)
Net student revenues	38,782,587	-	-	38,782,587	37,020,446
Auxiliary enterprises	7,218,803	-	-	7,218,803	7,013,184
Government grants	2,446,374	-	-	2,446,374	2,693,922
Private gifts-annual	5,119,537	4,349,591	-	9,469,128	8,195,957
Private gifts-nonrecurring	525,423	8,465,344	-	8,990,767	1,811,512
Endowment spending formula income	10,441,140	537,566	-	10,978,706	10,520,788
Investment income	1,154,315	35,353	-	1,189,668	1,338,527
Other	866,808	-	-	866,808	874,870
Restrictions released	4,018,054	(4,018,054)	-	-	-
Total operating revenues	70,573,041	9,369,800	-	79,942,841	69,469,206
Instruction	24,204,146	-	-	24,204,146	23,090,462
Research	234,501	-	-	234,501	123,754
Public service	1,859,916	-	-	1,859,916	1,667,664
Academic support	7,075,154	-	-	7,075,154	6,613,189
Student services	11,493,926	-	-	11,493,926	10,586,313
Institutional support	11,756,937	-	-	11,756,937	10,958,620
Auxiliary enterprises	17,684,255	-	-	17,684,255	16,984,525
Total operating expenses	74,308,835	-	-	74,308,835	70,024,527
Net operating activities	(3,735,794)	9,369,800	-	5,634,006	(555,321)
Nonoperating activities:					
Total investment return,					
net of spending formula	(31,571,353)	(145,455)	(76,216)	(31,793,024)	(19,238,734)
Contributions for long-term investment	-	-	5,797,760	5,797,760	4,003,532
Deferred giving net activity	-	(126,605)	51,060	(75,545)	(427,671)
Other	(578,405)	71,728	(71,728)	(578,405)	(377,746)
Restrictions released	-	-	-	-	-
Net nonoperating activities	(32,149,758)	(200,332)	5,700,876	(26,649,214)	(16,040,619)
(Decrease) increase in net assets, before minimum pension liability adjustment	(35,885,552)	9,169,468	5,700,876	(21,015,208)	-
Minimum pension liability	(762,166)	-	-	(762,166)	-
(Decrease) increase in net assets	(36,647,718)	9,169,468	5,700,876	(21,777,374)	(16,595,940)
Net assets at beginning of year	179,866,292	16,172,106	64,818,152	260,856,550	277,452,490
<b>Net Assets at End of Year</b>	<b>\$ 143,218,574</b>	<b>\$ 25,341,574</b>	<b>\$ 70,519,028</b>	<b>\$ 239,079,176</b>	<b>\$ 260,856,550</b>

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

# St. Lawrence University

## Consolidated Statement of Activities Year Ended June 30, 2001

	2001			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating activities:				
Tuition and fees	\$ 48,427,769	\$ -	\$ -	\$ 48,427,769
Room and board revenues	12,506,918	-	-	12,506,918
Less:				
Student financial aid-institutional	(23,440,561)	-	-	(23,440,561)
Student financial aid-government SEOG	(473,680)	-	-	(473,680)
Net student revenues	37,020,446	-	-	37,020,446
Auxiliary enterprises	7,013,184	-	-	7,013,184
Government grants	2,693,922	-	-	2,693,922
Private gifts-annual	5,163,944	3,032,013	-	8,195,957
Private gifts-nonrecurring	556,853	1,254,659	-	1,811,512
Endowment spending formula income	10,000,544	520,244	-	10,520,788
Investment income	1,291,414	47,113	-	1,338,527
Other	874,870	-	-	874,870
Restrictions released	3,139,288	(3,139,288)	-	-
Total operating revenues	<u>67,754,465</u>	<u>1,714,741</u>	<u>-</u>	<u>69,469,206</u>
Instruction	23,090,462	-	-	23,090,462
Research	123,754	-	-	123,754
Public service	1,667,664	-	-	1,667,664
Academic support	6,613,189	-	-	6,613,189
Student services	10,586,313	-	-	10,586,313
Institutional support	10,958,620	-	-	10,958,620
Auxiliary enterprises	16,984,525	-	-	16,984,525
Total operating expenses	<u>70,024,527</u>	<u>-</u>	<u>-</u>	<u>70,024,527</u>
Net operating activities	<u>(2,270,062)</u>	<u>1,714,741</u>	<u>-</u>	<u>(555,321)</u>
Nonoperating activities:				
Total investment return, net of spending formula	(19,243,987)	(57,111)	62,364	(19,238,734)
Contributions for long-term investment	-	-	4,003,532	4,003,532
Deferred giving net activity	-	(159,736)	(267,935)	(427,671)
Other	(378,778)	46,892	(45,860)	(377,746)
Restrictions released	8,283,802	(8,283,802)	-	-
Net nonoperating activities	<u>(11,338,963)</u>	<u>(8,453,757)</u>	<u>3,752,101</u>	<u>(16,040,619)</u>
(Decrease) increase in net assets, before minimum pension liability adjustment	-	-	-	-
Minimum pension liability	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Decrease) increase in net assets	(13,609,025)	(6,739,016)	3,752,101	(16,595,940)
Net assets at beginning of year	<u>193,475,317</u>	<u>22,911,122</u>	<u>61,066,051</u>	<u>277,452,490</u>
<b>Net Assets at End of Year</b>	<u>\$ 179,866,292</u>	<u>\$ 16,172,106</u>	<u>\$ 64,818,152</u>	<u>\$ 260,856,550</u>

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

# St. Lawrence University

## Consolidated Statements of Cash Flows Years Ended June 30, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
Change in net assets	\$ (21,777,374)	\$ (16,595,940)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	7,181,098	6,619,782
Realized and unrealized losses on investments	23,439,878	12,692,040
Capital contributions	(6,407,636)	(5,815,044)
Change in value of deferred gifts	565,156	633,008
Minimum pension liability adjustment	762,166	-
Changes in assets and liabilities that provide cash:		
Accounts receivable	367,260	(823,647)
Accrued investment income	583,635	313,618
Inventories	15,958	(87,700)
Prepaid expenses and other assets	(1,531,676)	(28)
Contributions receivable	(8,837,734)	(595,080)
Accounts payable and accrued expenses	(1,255,612)	734,860
Deposits and deferred revenues	393,048	(26,997)
Postretirement benefits	47,436	(242,715)
Net cash used in operating activities	<u>(6,454,397)</u>	<u>(3,193,843)</u>
Cash flows from investing activities:		
Purchases of plant, books and equipment, net	(9,978,366)	(19,785,620)
Proceeds from student loan collections	612,313	608,363
Student loans issued	(695,662)	(474,021)
Purchase of investments	(204,349,167)	(313,021,517)
Proceeds from sales and maturities of investments	<u>170,848,601</u>	<u>335,280,454</u>
Net cash (used in) provided by investing activities	<u>(43,562,281)</u>	<u>2,607,659</u>
Cash flows from financing activities:		
Proceeds from bonds issued	41,400,000	1,600,000
Contributions for long-term investment	4,499,641	4,384,982
Contributions for long-lived assets	468,987	1,526,776
Increase in federal student loan funds	80,961	122,150
Payments on long-term debt	<u>(1,136,683)</u>	<u>(828,344)</u>
Net cash provided by financing activities	<u>45,312,906</u>	<u>6,805,564</u>
Net (decrease) increase in cash and cash equivalents	(4,703,772)	6,219,380
Cash and cash equivalents at beginning of year	<u>8,000,065</u>	<u>1,780,685</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 3,296,293</u></b>	<b><u>\$ 8,000,065</u></b>
Supplemental data:		
Interest expense paid, net of capitalized interest of \$211,494 in 2001	\$ 2,311,028	\$ 2,043,355
Gifts in kind	64,363	245,000
Non-cash financing activities:		
Construction related payables	594,753	1,290,405
Equipment acquired under a capital lease agreement	1,037,298	-

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

# St. Lawrence University

## Notes to Consolidated Financial Statements

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### 1. Summary of Significant Accounting Policies

St. Lawrence University (the "University") was chartered by the Legislature of the State of New York in 1856 and is the oldest continuously coeducational institution of higher learning in the state. The University is committed to excellence in undergraduate liberal arts studies and graduate studies in education. The University's enrollment is approximately 2,000 full-time students, with nearly an equal number of men and women from most U. S. states and from nearly two dozen other countries.

#### Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting and include the accounts of the University Inn Corporation ("UIC"), a wholly-owned subsidiary. All material transactions between the University and its subsidiary have been eliminated.

In accordance with SFAS 117, "Financial Statements of Not-for-Profit Organizations", net assets having similar characteristics have been classified in the following categories:

**Unrestricted** - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

**Temporarily Restricted** - Net assets whose use by the University is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the University pursuant to those stipulations.

**Permanently Restricted** - Net assets whose use by the University is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the University. Generally, the donors of these assets permit the University to use all or part of the investment return on these assets to support program activities.

#### Subsidiary

UIC operates a hotel and restaurant facility in Canton, New York. The following unaudited activity of UIC is included in the Statements of Activities as Revenues and Expenses of Auxiliary Enterprises for the years ended June 30:

	2002	2001
Total UIC revenues	\$ 2,354,681	\$ 2,215,767
Total UIC expenses	<u>(2,317,361)</u>	<u>(2,178,725)</u>
Net income	<u>\$ 37,320</u>	<u>\$ 37,042</u>

#### Cash and Cash Equivalents

Cash equivalents include short-term, highly liquid investments with an original maturity of three months or less. Cash and cash equivalents are reported at cost which approximates fair value.

#### Inventories

Inventories are recorded at the lower of cost (first-in, first-out method) or market.

### 1. Summary of Significant Accounting Policies (Continued)

#### Contributions

The University has recorded contributions, including unconditional promises to give, as revenues when donors' commitments are received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Unconditional promises to give are recognized at the estimated net present value, net of an allowance for uncollectible amounts, and are classified as either permanently restricted or temporarily restricted. Gifts whose restrictions are met in the same fiscal year as their receipt are reported as unrestricted contributions.

Costs incurred by the University in obtaining donor contributions were approximately \$2,369,000 and \$2,393,000 at June 30, 2002 and 2001, respectively.

#### Student Accounts and Loans Receivable

Student account and loan receivables at June 30, 2002 and 2001 are reported net of provisions for doubtful accounts of approximately \$421,000 and \$469,000, respectively. The provision is intended to provide for accounts, both in repayment status and not yet in repayment status (borrowers still in school or in the grace period following graduation), that may not be collected.

#### Investments

The University accounts for its investments at fair value. The fair value of publicly traded fixed income and equity securities is based upon quoted market prices and exchange rates, if applicable. Limited partnership interest valuations are recorded primarily at fair value as determined by the general partners and approved by a valuation committee of the partnership based upon judgments which include, among other factors, restrictions affecting marketability, operating results, financial condition of the issuers and the price of the most recent financing transactions. Private equities and certain other nonmarketable securities are valued using current information obtained from the general partner or investment manager for the respective funds. Investment return is reported in the statement of activities and the notes to the financial statements net of management and custodial fees of approximately \$786,000 and \$735,000 for 2002 and 2001, respectively.

#### Annuities and Deferred Giving Arrangements

The University's deferred giving arrangements consist primarily of gift annuity, pooled life income and charitable remainder trusts. Deferred giving assets are managed by external investment managers. University management monitors investment performance achieved by the respective investment managers. Contribution revenues are recognized at the date the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of the assets and changes in the estimated present value of future cash outflows and other changes in the estimates of future benefits. The annuities and deferred giving obligations represent the net present value of future cash outflows over the beneficiary's life expectancy as required by the deferred gift agreements. Discount rates of 5.6% to 11.6% are used to calculate the net present value of the obligations.

# St. Lawrence University

## Notes to Consolidated Financial Statements

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### 1. Summary of Significant Accounting Policies (Continued)

#### Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost at the date of acquisition or, in the case of gifts, at fair value at the date of donation, less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of buildings (50 years), building and land improvements (10 -20 years) and equipment and books (3-10 years). Depreciation and operation and maintenance expense is included in the statement of activities and allocated to functional classifications based on facility space used within each functional category. Interest expense is allocated to functional classifications based on the original use of bond proceeds.

#### Estimates

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

#### Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the amounts reported in the consolidated statement of financial position and the consolidated statement of activities.

#### Internal Revenue Code Status

The University has been granted tax-exempt status as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code.

#### Bonds Payable

The estimated fair value of the University's bonds payable approximate the carrying amount based on rates currently available to the University for debt with similar terms and remaining maturities.

# St. Lawrence University

## Notes to Consolidated Financial Statements

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### 2. Contributions Receivable

Unconditional pledges at June 30 are expected to be realized in the following periods:

	2002	2001
Less than one year	\$ 1,445,209	\$ 46,134
One year to five years	9,246,007	5,474,263
Over five years	11,315,534	6,563,000
	<u>22,006,750</u>	<u>12,083,397</u>
Less: Present value discount	<u>(5,477,730)</u>	<u>(4,589,991)</u>
	16,529,020	7,493,406
Charitable remainder trusts	<u>3,787,362</u>	<u>3,550,893</u>
	<u>\$ 20,316,382</u>	<u>\$ 11,044,299</u>

As of June 30, 2002 and 2001, the University has received and not recognized conditional promises and bequests with a future value of approximately \$10,235,000 and \$8,261,000, respectively.

### 3. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30:

	2002	2001
Contributions receivable	\$ 15,333,224	\$ 5,963,014
Charitable remainder trusts receivable	2,473,942	2,432,815
Annuity and life income funds	3,695,042	3,078,953
Gifts and other unexpended revenues for capital projects	837,057	1,316,607
Gifts and other unexpended revenues for operations	3,002,309	3,380,717
	<u>\$ 25,341,574</u>	<u>\$ 16,172,106</u>

### 4. Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following at June 30:

	2002	2001
Contributions and charitable remainder trusts receivable	\$ 1,195,793	\$ 1,530,394
Annuity and life income funds	2,403,727	2,452,714
Loan funds	507,426	477,152
Donor-restricted contributions	66,412,082	60,357,892
	<u>\$ 70,519,028</u>	<u>\$ 64,818,152</u>

# St. Lawrence University

## Notes to Consolidated Financial Statements

### 5. Land, Buildings, And Equipment

Land, buildings, and equipment at June 30 are summarized as follows:

	2002	2001
Land	\$ 2,590,096	\$ 2,555,629
Land improvements	12,346,481	10,373,825
Buildings and improvements	118,839,261	104,219,475
Equipment and books	34,662,221	33,251,119
Construction in progress	<u>2,423,563</u>	<u>11,682,885</u>
	170,861,622	162,082,933
Less: Accumulated depreciation	<u>(70,959,708)</u>	<u>(66,674,701)</u>
	<u>\$ 99,901,914</u>	<u>\$ 95,408,232</u>

Estimated costs to complete construction in progress at June 30, 2002 are \$20,974,000.

### 6. Investments

Investments are stated at fair value. Investments by type include the following at June 30:

	2002		2001	
	Cost	Fair Value	Cost	Fair Value
Short-term investments	\$ -	\$ -	\$ 23,895	\$ 23,895
Stocks	60,792,582	64,493,984	68,810,356	80,077,265
Limited Partnerships	1,809,440	18,572,408	1,847,754	21,294,405
Fixed Income Securities	39,044,286	39,035,348	397,562	399,020
Mutual Fund - fixed income	45,294,867	45,492,883	47,320,834	47,500,611
Mutual Fund - equities	48,023,457	38,941,118	54,201,125	47,432,329
Real Estate and other	<u>1,148,456</u>	<u>1,148,456</u>	<u>895,985</u>	<u>895,984</u>
	<u>\$ 196,113,088</u>	<u>\$ 207,684,197</u>	<u>\$ 173,497,511</u>	<u>\$ 197,623,509</u>

As of June 30, 2002 there were \$38,670,346 of unexpended bond proceeds.

Certain investments are pooled on a market value basis. The unit market value is used to account for income distributed and pool transactions. The following table summarizes changes in relationship between cost and market value of pooled assets:

	Market	Cost	Net Gain (Loss)	Market Price Per Unit	Number of Units
End of year	\$ 163,366,891	\$ 156,278,462	\$ 7,088,429	\$ 2,585.99	63,174
Beginning of year	188,822,203	170,031,925	<u>(18,790,278)</u>	2,949.90	64,010
Unrealized net loss for the year			(11,701,849)		
Realized net loss for the year			<u>(10,846,491)</u>		
Net loss for the year			<u>\$ (22,548,340)</u>		

# St. Lawrence University

## Notes to Consolidated Financial Statements

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### 6. Investments (Continued)

The University recognized for spending purposes endowment income equal to 5.5% of a three-year moving average of the market value of pooled assets for the years ended June 30, 2002 and 2001, respectively. The formula rate exceeded actual endowment pooled investment earnings by approximately \$7,885,000 and \$6,266,000 in 2002 and 2001, respectively. The shortfall was funded by accumulated gains. The average income per unit was \$57.75 in 2002 and \$73.44 in 2001.

The University's non-operating return on investments was as follows for the years ended June 30:

	2002	2001
Dividends and interest	\$ 3,815,228	\$ 5,312,621
Realized (losses) gains	(10,805,761)	14,645,325
Unrealized losses	<u>(12,634,117)</u>	<u>(27,337,365)</u>
Total return on investments	(19,624,650)	(7,379,419)
Investment return designated for current operations	<u>(12,168,374)</u>	<u>(11,859,315)</u>
Investment return in deficiency of amounts designated for current operations	<u>\$ (31,793,024)</u>	<u>\$ (19,238,734)</u>

### 7. Debt Obligations

Debt obligations outstanding at June 30 are as follows:

	2002	2001
UIC:		
Capital lease obligation	\$ 10,521	\$ 17,197
Term loan	1,280,000	1,600,000
University:		
Capital lease obligation	972,291	-
Dormitory Authority of the State of New York:		
Revenue Bonds - St. Lawrence University		
Issue - 1972 Series B	250,000	355,000
St. Lawrence County Industrial Development -		
Agency Civic Facility Revenue Bonds:		
1996 Series	3,995,000	4,310,000
1998A Series	31,100,000	31,100,000
1998B Series	8,280,000	8,605,000
2001A Series	<u>41,400,000</u>	<u>-</u>
Total University Obligations	<u>85,997,291</u>	<u>44,370,000</u>
Total debt obligations outstanding	<u>\$ 87,287,812</u>	<u>\$ 45,987,197</u>

In October, 2001, the University issued \$41,400,000 of Series 2001A St. Lawrence County Industrial Development Agency Civic Facility Revenue Bonds. The proceeds of the bonds are being used to finance the construction of a new student center, student townhouses, science facilities, and other campus wide improvements. The bonds were issued as Auction Rate bonds and the interest rate is determined each month at auction. Interest is payable every 28 days and the rates paid during the fiscal year ended 6/30/02 ranged from 1.3% to 1.65%. The bonds mature in 2031. (See Note 6).

# St. Lawrence University

## Notes to Consolidated Financial Statements

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### 7. Debt Obligations (Continued)

In October 1998, the University issued \$9,030,000 of Series 1998B St. Lawrence County Industrial Development Agency Civic Facility Revenue Bonds. The purpose of the bonds was to advance refund \$6,010,000 of outstanding Series 1996 bonds and outstanding 1985 Series Pooled Cap B bonds. The bonds bear interest from 3.55% to 4.75% and mature in varying amounts through 2026.

In August 1998, the University issued \$31,100,000 of Series 1998A St. Lawrence County Industrial Development Agency Civic Facility Revenue Bonds. The purpose of the bond issue was for the construction of the new bookstore, renovations of the dining hall, library and athletic facilities, and other campus wide improvements. The bonds bear interest from 5% to 5.5% and mature in varying amounts through 2029.

In June 1996, the University issued \$11,580,000 of Series 1996 St., Lawrence County Industrial Development Agency Civic Facility Revenue Bonds. The purpose of the bond issue was for campus renovations and refinancing of the 1985 Series Pooled Cap B and St. Lawrence County Industrial Development Agency Civic Facility Revenue Bonds. The bonds bear interest from 4.25% to 5.625% and mature in varying amounts through 2013. A portion of these bonds were defeased in October 1998.

In September 1972, the University issued \$2,300,000 of Dormitory Authority Revenue Bonds, Series B. The purpose of the issue was the acquisition of two dormitories and construction of an addition to one of the buildings, and are collateralized by said properties. The bonds bear interest at 6.5% and mature in 2003.

In 2001, UIC borrowed \$1,600,000 from a financial institution for renovations to the facility. The interest rate on the loan is LIBOR plus 200 basis points. Monthly principal payments of \$13,333, are payable through July 2011. The obligation includes a material adverse change clause which permits the lender to call its debt in the event of a material adverse change in the business. Management does not anticipate any such adverse change in the next twelve months, however, there can be no assurances. The obligation is guaranteed by the University.

Annual principal requirements, including sinking fund deposits over the next five years for the debt described below are as follows:

2003	\$ 1,302,396
2004	1,088,593
2005	1,295,568
2006	1,247,908
2007	1,099,996
Thereafter	<u>81,253,351</u>
	<u>\$ 87,287,812</u>

Interest expense was \$2,660,467 and \$2,295,318 for the year ended June 30, 2002 and 2001, respectively.

# St. Lawrence University

## Notes to Consolidated Financial Statements

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### 8. Benefit Plans

Faculty, administrative, and non-exempt employees are participants in retirement plans administered by the Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). The University's policy is to accrue the costs of these defined contribution plans currently. The University's contribution under these plans was approximately \$2,184,000 and \$2,046,000 in 2002 and 2001, respectively.

The University has a supplemental retirement pension plan which was frozen on October 5, 1990. The provisions of Financial Accounting Standards Board Statement No. 87 ("SFAS 87"), "Employers' Accounting for Pensions" require recognition in the balance sheet of an additional minimum liability for pension plans with accumulated benefits in excess of plan assets. At June 30, 2002, the liability exceeded the unrecognized prior service cost resulting in a minimum pension liability of \$762,166, recorded as a reduction of the University's net assets. Information with respect to this plan is as follows:

	2002	2001
<b>Change in benefit obligation:</b>		
Benefit obligation at beginning of period	\$ 5,392,040	\$ 5,311,172
Interest cost	373,118	402,391
Benefits paid	(195,512)	(483,435)
Actuarial gain	80,540	161,912
Benefit obligation at end of period	<u>\$ 5,650,186</u>	<u>\$ 5,392,040</u>
<b>Change in plan assets at fair value:</b>		
Plan assets at fair value at beginning of fiscal year	\$ 4,094,700	\$ 4,667,080
Actual return on assets	(301,954)	(328,567)
Employer contribution	287,984	239,622
Benefits paid	(195,512)	(483,435)
Plan assets at fair value at end of fiscal year	<u>\$ 3,885,218</u>	<u>\$ 4,094,700</u>
<b>Reconciliation of funded status:</b>		
Funded status	\$ (1,764,968)	\$ (1,297,340)
Unrecognized net actuarial loss (gain)	-	40,850
Additional minimum liability	<u>762,166</u>	<u>-</u>
Accrued benefit obligation	<u>\$ (1,002,802)</u>	<u>\$ (1,256,490)</u>
<b>Weighted-average discount rate</b>	6.75%	7.50%
<b>Expected return on assets</b>	8.50%	8.50%
<b>Components of net periodic benefit cost:</b>		
Interest cost	\$ 373,118	\$ 402,391
Expected return on assets	(338,822)	(383,338)
Unrecognized net (gain)	-	(33,127)
Net periodic benefit cost (income)	<u>\$ 34,296</u>	<u>\$ (14,074)</u>

# St. Lawrence University

## Notes to Consolidated Financial Statements

### 8. Benefit Plans (Continued)

The University also provides health and life insurance benefits for eligible retired employees and their dependents. Information with respect to this plan is as follows:

	2002	2001
<b>Change in benefit obligation:</b>		
Benefit obligation at beginning of period	\$ 4,422,263	\$ 3,801,621
Service cost	226,948	191,470
Interest cost	323,408	304,085
Plan participants' contributions	113,723	111,410
Benefits paid	(362,955)	(372,858)
Actuarial loss	501,721	386,535
Benefit obligation at end of period	<u>\$ 5,225,108</u>	<u>\$ 4,422,263</u>
<b>Reconciliation of funded status:</b>		
Funded status	\$ (5,225,108)	\$ (4,422,263)
Unrecognized net actuarial loss (gain)	185,644	(316,077)
Accrued benefit obligation	<u>\$ (5,039,464)</u>	<u>\$ (4,738,340)</u>
<b>Weighted-average discount rate</b>	6.75%	7.50%

For measurement purposes, a 7.00% annual rate of increase in the per capita cost of covered health care benefits was assumed for fiscal year 2002. The rate was assumed to decrease gradually to 5.50% by fiscal year 2005 and remain at that level thereafter.

	2002	2001
<b>Components of net periodic benefit cost:</b>		
Service cost	\$ 226,948	\$ 191,470
Interest cost	323,408	304,085
Amortization of gains and losses	-	(12,470)
Net periodic benefit cost	<u>\$ 550,356</u>	<u>\$ 483,085</u>

Assumed health care cost trend rates have a significant effect on the amount reported for the health care plans. A one-percentage point change in the assumed health care cost trend rates would have the following effects:

	1% Point Increase	1% Point Decrease
Effect on total service and interest cost components	\$ 84,580	\$ (72,030)
Effect on postretirement benefit obligation	692,733	(602,573)