



St. Lawrence University

Consolidated Financial Statements

June 30, 2005 and 2004

Report of Independent Auditors

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 of cash flows present fairly, in all material respects, the financial position of St. Lawrence University at June 30, 2005 and 2004, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

August 11, 2005

St. Lawrence University
Consolidated Statements of Financial Position
June 30, 2005 and 2004

	2005	2004
Assets		
Cash and cash equivalents	\$ 6,451,998	\$ 5,336,486
Accounts receivable, net	1,288,898	1,374,770
Accrued investment income	480,699	449,119
Inventories	1,647,647	1,643,975
Prepaid expenses and other assets	3,285,181	3,521,145
Contributions receivable	27,014,763	23,714,180
Loans receivable, net	3,231,499	3,177,003
Investments	214,082,991	203,494,652
Funds held for deferred giving	13,006,912	12,577,732
Land, building and equipment, net	123,469,891	121,688,910
Total assets	<u>\$ 393,960,479</u>	<u>\$ 376,977,972</u>
Liabilities		
Accounts payable and accrued expenses	\$ 11,549,701	\$ 10,340,730
Deposits and deferred revenues	2,233,016	2,473,562
Annuities and deferred giving obligations	6,544,675	6,271,904
Federal student loan funds	3,160,903	3,168,583
Accrued pension and postretirement benefits	8,422,937	7,903,848
Debt obligations	86,878,342	85,966,508
Total liabilities	<u>118,789,574</u>	<u>116,125,135</u>
Net assets		
Unrestricted	159,199,467	152,089,695
Temporarily restricted	31,555,816	29,670,741
Permanently restricted	84,415,622	79,092,401
Total net assets	<u>275,170,905</u>	<u>260,852,837</u>
Total liabilities and net assets	<u>\$ 393,960,479</u>	<u>\$ 376,977,972</u>

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

St. Lawrence University
Consolidated Statements of Activities
Year Ended June 30, 2005
(with comparative totals for the year ended June 30, 2004)

	2005				2004 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Operating activities					
Tuition and fees	\$ 66,465,150	\$ -	\$ -	\$ 66,465,150	\$ 61,941,252
Room and board revenues	14,952,432	-	-	14,952,432	14,895,599
Less:					
Student financial aid-institutional	(28,255,173)	-	-	(28,255,173)	(27,811,719)
Student financial aid-government SEOG	(565,756)	-	-	(565,756)	(492,060)
Net student revenues	52,596,653	-	-	52,596,653	48,533,072
Auxiliary enterprises	8,074,461	-	-	8,074,461	7,876,687
Government grants	2,767,231	-	-	2,767,231	4,662,720
Private gifts-annual	6,988,648	3,985,882	-	10,974,530	7,882,772
Private gifts-nonrecurring	670,706	1,744,610	-	2,415,316	1,695,905
Endowment spending formula income	9,223,953	421,388	-	9,645,341	10,044,367
Investment income	492,765	8,245	-	501,010	330,185
Other	1,092,244	-	-	1,092,244	1,095,873
Restrictions released	4,339,575	(4,339,575)	-	-	-
Total operating revenues	86,246,236	1,820,550	-	88,066,786	82,121,581
Instruction	29,396,048	-	-	29,396,048	27,540,920
Research	427,011	-	-	427,011	508,780
Public service	1,876,243	-	-	1,876,243	2,111,793
Academic support	8,372,496	-	-	8,372,496	8,508,789
Student services	13,880,897	-	-	13,880,897	13,076,065
Institutional support	14,347,038	-	-	14,347,038	13,313,823
Auxiliary enterprises	20,418,389	-	-	20,418,389	20,286,992
Total operating expenses	88,718,122	-	-	88,718,122	85,347,162
Net operating activities	(2,471,886)	1,820,550	-	(651,336)	(3,225,581)
Nonoperating activities					
Total investment return, net of spending formula	8,880,517	71,913	24,614	8,977,044	25,748,385
Contributions for long-term investment	-	-	6,312,053	6,312,053	2,812,308
Deferred giving net activity	-	(30,919)	139,237	108,318	578,878
Other	(595,229)	23,531	252,011	(319,687)	(959,560)
Net nonoperating activities	8,285,288	64,525	6,727,915	15,077,728	28,180,011
Increase in net assets, before minimum pension liability adjustment	5,813,402	1,885,075	6,727,915	14,426,392	24,954,430
(Increase) decrease in minimum pension liability	(108,324)	-	-	(108,324)	539,968
Reclassification of net assets	1,404,694	-	(1,404,694)	-	-
Increase in net assets	7,109,772	1,885,075	5,323,221	14,318,068	25,494,398
Net assets at beginning of year	152,089,695	29,670,741	79,092,401	260,852,837	235,358,439
Net assets at end of year	\$ 159,199,467	\$ 31,555,816	\$ 84,415,622	\$ 275,170,905	\$ 260,852,837

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

St. Lawrence University
Consolidated Statement of Activities
Year Ended June 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating activities				
Tuition and fees	\$ 61,941,252	\$ -	\$ -	\$ 61,941,252
Room and board revenues	14,895,599	-	-	14,895,599
Less:				
Student financial aid-institutional	(27,811,719)	-	-	(27,811,719)
Student financial aid-government SEOG	(492,060)	-	-	(492,060)
Net student revenues	<u>48,533,072</u>	<u>-</u>	<u>-</u>	<u>48,533,072</u>
Auxiliary enterprises	7,876,687	-	-	7,876,687
Government grants	4,662,720	-	-	4,662,720
Private gifts-annual	6,603,919	1,278,853	-	7,882,772
Private gifts-nonrecurring	780,484	915,421	-	1,695,905
Endowment spending formula income	9,620,775	423,592	-	10,044,367
Investment income	323,997	6,188	-	330,185
Other	1,095,873	-	-	1,095,873
Restrictions released	<u>3,214,800</u>	<u>(3,214,800)</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>82,712,327</u>	<u>(590,746)</u>	<u>-</u>	<u>82,121,581</u>
Instruction	27,540,920	-	-	27,540,920
Research	508,780	-	-	508,780
Public service	2,111,793	-	-	2,111,793
Academic support	8,508,789	-	-	8,508,789
Student services	13,076,065	-	-	13,076,065
Institutional support	13,313,823	-	-	13,313,823
Auxiliary enterprises	<u>20,286,992</u>	<u>-</u>	<u>-</u>	<u>20,286,992</u>
Total operating expenses	<u>85,347,162</u>	<u>-</u>	<u>-</u>	<u>85,347,162</u>
Net operating activities	<u>(2,634,835)</u>	<u>(590,746)</u>	<u>-</u>	<u>(3,225,581)</u>
Nonoperating activities				
Total investment return, net of spending formula	22,833,579	182,331	2,732,475	25,748,385
Contributions for long-term investment	-	-	2,812,308	2,812,308
Deferred giving net activity	-	560,685	18,193	578,878
Other	<u>(957,879)</u>	<u>146,063</u>	<u>(147,744)</u>	<u>(959,560)</u>
Net nonoperating activities	<u>21,875,700</u>	<u>889,079</u>	<u>5,415,232</u>	<u>28,180,011</u>
Increase in net assets, before minimum pension liability adjustment	19,240,865	298,333	5,415,232	24,954,430
Decrease in minimum pension liability	<u>539,968</u>	<u>-</u>	<u>-</u>	<u>539,968</u>
Increase in net assets	19,780,833	298,333	5,415,232	25,494,398
Net assets at beginning of year	<u>132,308,862</u>	<u>29,372,408</u>	<u>73,677,169</u>	<u>235,358,439</u>
Net assets at end of year	<u>\$ 152,089,695</u>	<u>\$ 29,670,741</u>	<u>\$ 79,092,401</u>	<u>\$ 260,852,837</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, 2005 and 2004

	2005	2004
Cash flows from operating activities		
Change in net assets	\$ 14,318,068	\$ 25,494,398
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	8,980,006	8,174,114
Realized and unrealized gains on investments	(16,336,262)	(32,749,387)
Capital contributions	(6,586,872)	(3,674,270)
Change in value of deferred gifts	57,580	77,287
Minimum pension liability adjustment	108,324	(539,968)
Changes in assets and liabilities that provide cash:		
Accounts receivable	85,872	15,355
Accrued investment income	(31,580)	100,773
Inventories	(3,672)	37,264
Prepaid expenses and other assets	235,964	(38,331)
Contributions receivable	(3,300,583)	6,345
Accounts payable and accrued expenses	718,721	(205,440)
Deposits and deferred revenues	(240,546)	149,483
Accrued pension and postretirement benefits	410,765	667,034
Net cash used in operating activities	<u>(1,584,215)</u>	<u>(2,485,343)</u>
Cash flows from investing activities		
Purchases of land, buildings and equipment, net	(10,224,442)	(14,928,680)
Proceeds from sale of land, buildings and equipment	668,711	-
Proceeds from student loan collections	910,373	860,043
Student loans issued	(964,869)	(988,705)
Purchase of investments	(150,431,483)	(173,116,831)
Proceeds from sales and maturities of investments	<u>156,179,406</u>	<u>190,162,606</u>
Net cash (used in) provided by investing activities	<u>(3,862,304)</u>	<u>1,988,433</u>
Cash flows from financing activities		
Proceeds from borrowing	2,000,000	-
Contributions for long-term investment	4,014,958	1,862,789
Contributions for long-lived assets	2,269,725	401,126
Decrease in federal student loan funds	(7,680)	(8,948)
Payments on long-term debt	<u>(1,714,972)</u>	<u>(1,420,638)</u>
Net cash provided by financing activities	<u>6,562,031</u>	<u>834,329</u>
Net increase in cash and cash equivalents	1,115,512	337,419
Cash and cash equivalents		
Beginning of year	<u>5,336,486</u>	<u>4,999,067</u>
End of year	<u>\$ 6,451,998</u>	<u>\$ 5,336,486</u>
Supplemental data		
Interest expense paid, net of interest capitalized of \$169,399 and \$279,655 in 2005 and 2004, respectively	\$ 3,135,010	\$ 2,248,795
Gifts in kind	88,200	246,559
Non-cash financing activities		
Change in construction related payables	490,250	871,688
Equipment acquired under a capital lease agreement	626,806	641,126

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

St. Lawrence University
Notes to Consolidated Financial Statements
June 30, 2005 and 2004

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 Laurentian Properties, LLC ("LP"), a wholly-owned subsidiary. All material transactions between the University and its subsidiary have been eliminated.

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 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 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

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

	2005	2004
Total LP revenues	\$ 2,775,194	\$ 2,550,614
Total LP expenses	<u>(2,631,771)</u>	<u>(2,504,619)</u>
Net income	<u>\$ 143,423</u>	<u>\$ 45,995</u>

Cash and Cash Equivalents

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

Inventories

Inventories are primarily recorded at the lower of average cost or market.

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Contributions

The University records 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 their 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 \$3,020,000 and \$3,226,000 for the years ended June 30, 2005 and 2004, respectively.

Student Accounts and Loans Receivable

Student account and loan receivables at June 30, 2005 and 2004 are reported net of provisions for doubtful accounts of approximately \$467,000 and \$453,000, 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 net of management and custodial fees of approximately \$880,000 and \$750,000 for 2005 and 2004, 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 are used to calculate the net present value of the obligations and are based on risk free rates commensurate with the beneficiary life expectancy at year-end.

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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 capitalized during periods of construction.

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. LP is organized as an LLC, therefore all income passes through to the University as sole member and is subject to unrelated business income taxes.

Reclassifications

Certain reclassifications in 2004 were made to conform to the 2005 presentation, and certain immaterial changes were made to the 2005 statement of cash flows from that previously reported.

2. Contributions Receivable

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

	2005	2004
Less than one year	\$ 2,420,671	\$ 1,325,917
One year to five years	8,762,000	10,106,000
Over five years	16,720,847	13,218,551
	<u>27,903,518</u>	<u>24,650,468</u>
Less: Present value discount	(5,078,962)	(6,028,298)
	<u>22,824,556</u>	<u>18,622,170</u>
Charitable remainder trusts	4,190,207	5,092,010
	<u>\$ 27,014,763</u>	<u>\$ 23,714,180</u>

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As of June 30, 2005 and 2004, the University has received and not recognized conditional promises and bequests with a future value of approximately \$7,104,000 and \$7,998,000, respectively.

3. Temporarily Restricted Net Assets

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

	2005	2004
Contributions receivable	\$ 19,080,641	\$ 17,562,930
Charitable remainder trusts receivable	2,990,999	3,974,520
Annuity and life income funds	4,704,708	4,687,831
Gifts and other unexpended revenues for capital projects	1,853,014	381,908
Gifts and other unexpended revenues for operations	2,926,454	3,063,552
	<u>\$ 31,555,816</u>	<u>\$ 29,670,741</u>

4. Permanently Restricted Net Assets

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

	2005	2004
Contributions and charitable remainder trusts receivable	\$ 4,941,123	\$ 2,176,440
Annuity and life income funds	1,750,938	1,617,964
Loan funds	587,384	562,770
Donor-restricted contributions	77,136,177	74,735,227
	<u>\$ 84,415,622</u>	<u>\$ 79,092,401</u>

5. Land, Buildings, And Equipment

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

	2005	2004
Land	\$ 2,654,737	\$ 2,630,752
Land improvements	14,613,279	14,034,274
Buildings and improvements	150,833,369	146,873,883
Equipment, art and books	41,799,201	42,312,715
Construction in progress	5,565,258	2,339,811
	<u>215,465,844</u>	<u>208,191,435</u>
Less: Accumulated depreciation	<u>(91,995,953)</u>	<u>(86,502,525)</u>
	<u>\$ 123,469,891</u>	<u>\$ 121,688,910</u>

Estimated costs to complete construction in progress at June 30, 2005 are \$30,911,404.

St. Lawrence University
Notes to Consolidated Financial Statements
June 30, 2005 and 2004

6. Investments

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

	2005		2004	
	Cost	Fair Value	Cost	Fair Value
Short-term investments	\$ 2,216,772	\$ 2,216,772	\$ 17,901,090	\$ 17,901,090
Stocks	59,674,945	74,510,271	44,393,816	56,028,598
Limited Partnerships	26,964,060	53,952,380	12,121,364	39,071,161
Fixed Income Securities	11,360,456	11,277,329	14,262,030	13,743,202
Mutual Fund - fixed income	10,671,518	10,660,846	17,488,158	17,478,741
Mutual Fund - equities	52,295,599	60,276,703	55,644,230	57,886,419
Real Estate and other	1,188,690	1,188,690	1,385,441	1,385,441
	<u>\$ 164,372,040</u>	<u>\$ 214,082,991</u>	<u>\$ 163,196,129</u>	<u>\$ 203,494,652</u>

As of June 30, 2005 and 2004 there were \$0 and \$4,262,053 of unexpended bond proceeds, included in investments.

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

	Fair Value	Cost	Net Gain	Fair Value Per Unit	Number of Units
End of year	197,381,608	154,723,588	42,658,020	3,361.37	58,721
Beginning of year	185,331,004	151,407,523	33,923,481	3,096.83	59,845
Unrealized net gain for the year			<u>8,734,539</u>		
Realized net gain for the year			<u>6,810,992</u>		
Net gain for the year			<u>\$ 15,545,531</u>		

The University recognized for spending purposes endowment income equal to 5.5% of a three-year moving average of the fair value of pooled assets for the years ended June 30, 2005 and 2004, respectively. The average interest and dividend income per unit was \$33.40 in 2005 and \$43.85 in 2004.

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

	2005	2004
Dividends and interest	\$ 2,823,752	\$ 3,289,751
Net realized gains	6,867,340	10,864,632
Net unrealized gains	9,432,303	21,968,554
Total return on investments	<u>19,123,395</u>	<u>36,122,937</u>
Investment return designated for current operations	<u>(10,146,351)</u>	<u>(10,374,552)</u>
Investment return in excess of amounts designated for current operations	<u>\$ 8,977,044</u>	<u>\$ 25,748,385</u>

7. Debt Obligations

Debt obligations outstanding at June 30 are as follows:

	2005	2004
University		
Working capital line of credit (a)	\$ 2,000,000	\$ -
Capital lease obligation (b)	1,458,342	1,526,508
St. Lawrence County Industrial Development - Agency Civic Facility Revenue Bonds		
1996 Series (c)	2,940,000	3,310,000
1998A Series (d)	31,100,000	31,100,000
1998B Series (e)	7,180,000	7,670,000
2001A Series (f)	41,400,000	41,400,000
Total University Obligations	<u>86,078,342</u>	<u>85,006,508</u>
LP		
Term loan (g)	<u>800,000</u>	<u>960,000</u>
Total debt obligations outstanding	<u>\$ 86,878,342</u>	<u>\$ 85,966,508</u>

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.

- (a) The University has a \$5,000,000 operating line of credit. The credit line bears interest at a rate of 4.3% and the balance outstanding at June 30, 2005 was \$2,000,000.
- (b) The University has entered into capital lease obligations for computer equipment. The original amount of the capital lease obligations was \$3,066,453. The monthly payment amount is \$66,218 which includes principal and interest and is payable through October 2009. The lease obligations bears interest ranging from 2.79% to 4.14%.

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- (c) 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.
- (d) 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.
- (e) 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.
- (f) 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 were 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 June 30, 2004 ranged from 1.05% to 1.5%. The bonds mature in 2031.
- (g) In 2001, LP 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:

2006	\$ 3,722,434
2007	1,589,019
2008	1,273,302
2009	1,323,114
2010	1,295,000
Thereafter	77,675,473
	<u>\$ 86,878,342</u>

Interest expense was \$2,787,543 and \$2,674,479 net of interest capitalized of \$164,220 and \$279,655 for the year ended June 30, 2005 and 2004, respectively.

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8. Benefit Plans

The University has the following benefit plans:

- (a) 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 accrues the costs of these defined contribution plans currently. The University's contribution under these plans was approximately \$2,851,000 and \$2,649,000 in 2005 and 2004, respectively.
- (b) 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, 2005 and 2004, the accumulated benefit obligation exceeded the plan assets resulting in a minimum pension liability of \$815,661 and \$707,337, respectively, recorded as a reduction of the University's unrestricted net assets. Information with respect to this plan is as follows:

	2005	2004
Change in benefit obligation		
Benefit obligation at beginning of period	\$ 5,321,170	\$ 6,075,247
Interest cost	319,656	333,685
Benefits paid	(638,676)	(763,623)
Actuarial (loss) gain	98,941	(324,139)
Benefit obligation at end of period	<u>\$ 5,101,091</u>	<u>\$ 5,321,170</u>
Change in plan assets at fair value		
Plan assets at fair value at beginning of fiscal year	\$ 4,716,639	\$ 4,267,640
Actual return on assets	390,609	533,328
Employer contribution	326,383	679,294
Benefits paid	(638,676)	(763,623)
Plan assets at fair value at end of fiscal year	<u>\$ 4,794,955</u>	<u>\$ 4,716,639</u>
Funded status	<u>\$ (306,136)</u>	<u>\$ (604,531)</u>
Reconciliation of pension liability		
Prepaid pension cost	\$ 509,525	\$ 102,806
Additional minimum liability	<u>(815,661)</u>	<u>(707,337)</u>
Pension liability (included in accrued pension and postretirement benefits)	<u>\$ (306,136)</u>	<u>\$ (604,531)</u>
Weighted-average discount rate	5.25%	6.25%
Expected return on assets	8.50%	8.50%
Components of net periodic benefit cost (benefit)		
Interest cost	\$ 319,656	\$ 333,685
Expected return on assets	(419,769)	(377,374)
Unrecognized net loss	19,777	59,875
Net periodic benefit cost (benefit)	<u>\$ (80,336)</u>	<u>\$ 16,186</u>

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Plan Assets

The Company's pension plan weighted average allocation, by asset categories is as follows at June 30:

	2005	2004
Domestic equity securities	50%	53%
Debt securities	40%	36%
International equity securities	10%	11%
	<u>100%</u>	<u>100%</u>

Cash Flow - Contributions

The University expects that there will be no contributions to the Retirement Plan for Employees of St. Lawrence University in 2006.

Estimated Future Benefit Payments

The following estimated benefit payments, which reflect future service, as appropriate, are expected to be paid:

July 1, 2005 - June 30, 2006	\$ 797,000
July 1, 2006 - June 30, 2007	510,000
July 1, 2007 - June 30, 2008	345,000
July 1, 2008 - June 30, 2009	781,000
July 1, 2009 - June 30, 2010	821,000
Years 2010-2014	2,253,000

- (c) 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:

	2005	2004
Change in benefit obligation		
Benefit obligation at beginning of period	\$ 11,579,730	\$ 10,362,411
Service cost	503,973	680,414
Interest cost	536,777	652,076
Plan participants' contributions	164,494	147,115
Benefits paid	(406,684)	(382,154)
Amendments/curtailments/special termination (a)	(264,316)	-
Actuarial (gain) loss (b)	(1,084,280)	119,868
Benefit obligation at end of period	<u>\$ 11,029,694</u>	<u>\$ 11,579,730</u>
Reconciliation of funded status		
Funded status	\$(11,029,694)	\$(11,579,730)
Unrecognized prior service gain	(1,345,334)	(1,157,941)
Unrecognized net actuarial loss	4,258,226	5,438,354
Accrued benefit obligation	<u>\$ (8,116,802)</u>	<u>\$ (7,299,317)</u>
Weighted-average discount rate	5.25%	6.25%

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- (a) Amendments made to the plan in 2005 were primarily increases in the deductibles that are paid by the plan participants.
- (b) Amount represents principally the impact of the Medicare Prescription Drug Improvement Act of 2003. The Act provides for a direct government subsidy for employers who continue to offer a retiree drug program that is deemed to be actuarially equivalent to the government plan. The University anticipates that it will qualify for the Medicare Part D prescription drug federal subsidy. In accordance with FASB Staff Position 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement, and Modernization Act (FSP 106-2)*, the University recorded the impact of the Act in its June 30, 2005 financial statements. The reduction in the Accumulated Postretirement Benefit Obligation for the subsidy related to benefits attributed to past service as of July 1, 2004 is \$2,776,000. The effect of the subsidy on the measurement of the net periodic postretirement benefit cost for fiscal year 2005 is approximately \$469,000.

For measurement purposes, a 7.5% and 9.0% annual rate of increase in the per capita cost of covered health care benefits and prescription drug benefits, respectively, was assumed for fiscal year 2005. These rates were assumed to decrease gradually to 5.00% by fiscal year 2011 for healthcare benefits and 2010 for prescription drug benefits and remain at that level thereafter.

	2005	2004
Components of net periodic benefit cost		
Service cost	\$ 503,973	\$ 680,414
Interest cost	536,777	652,076
Amortization of net actuarial losses	95,848	309,614
Amortization of unrecognized prior service gain	(76,923)	(76,923)
Net periodic benefit cost	<u>\$ 1,059,675</u>	<u>\$ 1,565,181</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	\$ 204,149	\$ (167,584)
Effect on postretirement benefit obligation	1,779,649	(1,508,151)

Cash Flow – Contributions

Contributions to the postretirement benefit plans net of employee contributions for fiscal year 2006 are estimated to be \$366,000.

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Estimated Future Benefit Payments

Expected benefit payments, which reflect expected future service for fiscal year, and expected amount of subsidy receipts:

	Gross Payments	Subsidy Receipts
2006	\$ 405,000	\$ (40,000)
2007	427,000	(90,000)
2008	456,000	(100,000)
2009	527,000	(109,000)
2010	605,000	(116,000)
Years 2011 - 2015	4,100,000	(785,000)

9. Contingencies

The University is subject to various actions arising out of its operations. The claims are in various stages of development. The University and legal counsel are unable to conclude as to the ultimate outcome of certain actions due to the actions being in various stages of discovery. It is the opinion of the University's management that the ultimate liability, if any, resulting from these actions will not have a material impact on the University's financial position, statement of activities, or cash flows.