

**ST. LAWRENCE UNIVERSITY**

AUDITED FINANCIAL STATEMENTS

Years ended June 30, 2008 and 2007

# ST. LAWRENCE UNIVERSITY

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees  
St. Lawrence University

We have audited the accompanying consolidated statement of financial position of St. Lawrence University, ("the University") as of June 30, 2008, and the related statements of activities and cash flows for the year then ended. 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 audit. The financial statements of the University as of and for the year ended June 30, 2007 were audited by other auditors whose report, dated October 1, 2007, expressed an unqualified opinion on those statements.

We conducted our audit 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2008 consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Lawrence University as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*UHY* LLP

Albany, New York  
October 6, 2008

**ST. LAWRENCE UNIVERSITY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,558,840	\$ 4,067,134
Deposits with trustees of debt obligations	7,487	1,500,000
Investment receivable	-	6,525,000
Accounts receivable, net	2,020,956	2,601,725
Inventories	2,112,067	1,828,500
Prepaid expenses and other assets	2,094,117	3,813,276
Contributions receivable	22,494,137	22,530,238
Loans receivable, net	3,450,653	3,168,842
Fair value of swap agreement	-	1,780,000
Investments, at market	246,365,350	263,150,681
Funds held for deferred giving	12,103,702	14,112,403
Deferred financing costs	2,352,333	2,838,639
Land, buildings and equipment, net	<u>155,013,166</u>	<u>151,568,623</u>
Total assets	<u>\$ 451,572,808</u>	<u>\$ 479,485,061</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 11,635,275	\$ 11,713,328
Deposits and deferred revenues	2,623,885	2,937,185
Conditional asset retirement obligation	3,964,587	4,245,837
Annuities and deferred giving obligations	6,269,194	7,095,549
Federal student loan funds	3,046,989	3,048,012
Accrued postretirement benefits	11,393,048	10,131,068
Fair value of swap agreement	1,986,606	-
Debt obligations	<u>100,097,680</u>	<u>101,650,997</u>
Total liabilities	141,017,264	140,821,976
<b>NET ASSETS</b>		
Unrestricted	182,831,225	216,012,877
Temporarily restricted	26,160,121	28,050,783
Permanently restricted	<u>101,564,198</u>	<u>94,599,425</u>
Total net assets	<u>310,555,544</u>	<u>338,663,085</u>
Total liabilities and net assets	<u>\$ 451,572,808</u>	<u>\$ 479,485,061</u>

See notes to consolidated financial statements.

**ST. LAWRENCE UNIVERSITY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2008**  
**(With Comparative Totals for the Year Ended June 30, 2007)**

	2008				2007 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>Operating activities</b>					
Tuition and fees	\$ 79,637,309	\$ -	\$ -	\$ 79,637,309	\$ 75,785,522
Room and board revenues	18,411,683	-	-	18,411,683	17,078,126
Less:					
Student financial aid-institutional	(34,256,866)	-	-	(34,256,866)	(32,048,541)
Student financial aid-government (SEOG)	(378,380)	-	-	(378,380)	(433,872)
Net student revenues	63,413,746	-	-	63,413,746	60,381,235
Auxiliary enterprises	8,673,986	-	-	8,673,986	8,635,132
Government grants	2,449,770	-	-	2,449,770	6,854,942
Private gifts- annual	9,694,647	3,925,097	-	13,619,744	13,143,887
Private gifts- nonrecurring	4,507,862	291,331	-	4,799,193	4,077,127
Endowment spending formula income	11,496,067	515,141	-	12,011,208	11,065,819
Investment income	219,106	13,061	-	232,167	718,119
Other	1,571,380	-	-	1,571,380	1,244,704
Restrictions released	5,183,604	(5,183,604)	-	-	-
Total operating revenues	107,210,168	(438,974)	-	106,771,194	106,120,965
Instruction	35,453,895	-	-	35,453,895	31,423,679
Research	342,546	-	-	342,546	253,703
Public service	2,359,339	-	-	2,359,339	1,848,090
Academic support	9,452,536	-	-	9,452,536	8,678,479
Student services	17,750,256	-	-	17,750,256	16,121,174
Institutional support	17,886,956	-	-	17,886,956	15,718,305
Auxiliary enterprises	23,730,907	-	-	23,730,907	22,460,988
Total operating expenses	106,976,435	-	-	106,976,435	96,504,418
Net operating activities	233,733	(438,974)	-	(205,241)	9,616,547
<b>Nonoperating activities</b>					
Investment return (loss), net of spending formula	(28,071,965)	(408,368)	(176,829)	(28,657,162)	33,418,320
Change in fair value of swap agreement	(3,766,606)	-	-	(3,766,606)	822,980
Contributions for long-term investment	-	-	6,362,614	6,362,614	4,262,553
Deferred giving net activity	-	(210,807)	(63,279)	(274,086)	298,835
Other	(1,081,903)	(832,513)	842,267	(1,072,149)	547,847
Net nonoperating activities	(32,920,474)	(1,451,688)	6,964,773	(27,407,389)	39,350,535
Change in net assets before effect of adoption of SFAS Statement No. 158 and pension/benefit related changes other than net periodic pension/benefit cost	(32,686,741)	(1,890,662)	6,964,773	(27,612,630)	48,967,082
Effect of adoption of SFAS Statement No. 158	-	-	-	-	(1,043,588)
Change in net assets before pension/benefit related changes other than net periodic pension/benefit cost	(32,686,741)	(1,890,662)	6,964,773	(27,612,630)	47,923,494
Pension/benefit related changes other than net periodic pension/benefit cost	(494,911)	-	-	(494,911)	-
Change in net assets	(33,181,652)	(1,890,662)	6,964,773	(28,107,541)	47,923,494
Net assets at beginning of year	216,012,877	28,050,783	94,599,425	338,663,085	290,739,591
Net assets at end of year	\$ 182,831,225	\$ 26,160,121	\$ 101,564,198	\$ 310,555,544	\$ 338,663,085

See notes to consolidated financial statements.

**ST. LAWRENCE UNIVERSITY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2007**

	<b>2007</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Operating activities</b>				
Tuition and fees	\$ 75,785,522	\$ -	\$ -	\$ 75,785,522
Room and board revenues	17,078,126	-	-	17,078,126
Less:				
Student financial aid-institutional	(32,048,541)	-	-	(32,048,541)
Student financial aid-government (SEOG)	(433,872)	-	-	(433,872)
Net student revenues	60,381,235	-	-	60,381,235
Auxiliary enterprises	8,635,132	-	-	8,635,132
Government grants	6,854,942	-	-	6,854,942
Private gifts- annual	7,293,748	5,850,139	-	13,143,887
Private gifts- nonrecurring	3,361,135	715,992	-	4,077,127
Endowment spending formula income	10,500,256	565,563	-	11,065,819
Investment income	683,432	34,687	-	718,119
Other	1,241,396	3,308	-	1,244,704
Restrictions released	7,140,113	(7,140,113)	-	-
Total operating revenues	<u>106,091,389</u>	<u>29,576</u>	<u>-</u>	<u>106,120,965</u>
Instruction	31,423,679	-	-	31,423,679
Research	253,703	-	-	253,703
Public service	1,848,090	-	-	1,848,090
Academic support	8,678,479	-	-	8,678,479
Student services	16,121,174	-	-	16,121,174
Institutional support	15,718,305	-	-	15,718,305
Auxiliary enterprises	22,460,988	-	-	22,460,988
Total operating expenses	<u>96,504,418</u>	<u>-</u>	<u>-</u>	<u>96,504,418</u>
Net operating activities	<u>9,586,971</u>	<u>29,576</u>	<u>-</u>	<u>9,616,547</u>
<b>Nonoperating activities</b>				
Investment return, net of spending formula	32,892,686	338,489	187,145	33,418,320
Change in fair value of swap asset	822,980	-	-	822,980
Contributions for long-term investment	-	-	4,262,553	4,262,553
Deferred giving net activity	-	249,901	48,934	298,835
Other	558,966	(282,208)	271,089	547,847
Net nonoperating activities	<u>34,274,632</u>	<u>306,182</u>	<u>4,769,721</u>	<u>39,350,535</u>
Change in net assets, before effect of adoption of SFAS Statement No. 158	43,861,603	335,758	4,769,721	48,967,082
Effect of adoption of SFAS Statement No. 158	(1,043,588)	-	-	(1,043,588)
Change in net assets	42,818,015	335,758	4,769,721	47,923,494
Net assets at beginning of year	<u>173,194,862</u>	<u>27,715,025</u>	<u>89,829,704</u>	<u>290,739,591</u>
Net assets at end of year	<u>\$ 216,012,877</u>	<u>\$ 28,050,783</u>	<u>\$ 94,599,425</u>	<u>\$ 338,663,085</u>

See notes to consolidated financial statements.

**ST. LAWRENCE UNIVERSITY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (28,107,541)	\$ 47,923,494
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation, amortization, and accretion	10,867,744	8,912,134
Effect of adoption of SFAS statement No. 158	-	1,043,588
Realized and unrealized losses (gains) on investments	20,916,097	(40,644,210)
Contributions for long-term investments and assets	(11,062,529)	(9,115,021)
Change in value of deferred gifts	1,289,821	(428,162)
Change in value of interest rate swap	3,766,606	(794,028)
Gain on property disposal	(4,237)	(283,833)
Changes in assets and liabilities:		
Accounts receivable	580,769	(27,484)
Inventories	(283,567)	(91,052)
Prepaid expenses and other assets	1,957,107	(373,849)
Contributions receivable	1,062,443	1,090,988
Accounts payable and accrued expenses	(1,154,903)	(340,722)
Deposits and deferred revenue	(313,300)	160,599
Accrued postretirement benefits	1,261,980	(289,887)
Conditional asset retirement obligations	(470,000)	(189,377)
Net cash provided by operating activities	<u>306,490</u>	<u>6,553,178</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of land, buildings and equipment	(10,877,393)	(24,290,689)
Proceeds from asset disposal	104,737	415,136
Proceeds from loan collections	525,749	828,298
Loans issued	(807,560)	(824,424)
Purchases of investments	(107,956,702)	(338,980,379)
Proceeds from sales and maturities of investments	113,596,687	340,697,118
Additions to deposits with trustee	-	(1,500,000)
Use of deposits with trustee	1,492,512	1,903,310
Net cash used in investing activities	<u>(3,921,970)</u>	<u>(21,751,630)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowing	730,236	1,500,000
Contributions for long-term investment	4,012,352	4,660,000
Contributions for long-lived assets	1,950,454	2,531,958
Increase in federal student loan funds	(1,023)	(122,553)
Payments on long-term debt	(2,726,865)	(1,634,814)
Financing costs paid	(857,968)	-
Net cash provided by financing activities	<u>3,107,186</u>	<u>6,934,591</u>
Net decrease in cash and cash equivalents	(508,294)	(8,263,861)
Cash and cash equivalents at beginning of year	4,067,134	12,330,995
Cash and cash equivalents at end of year	<u>\$ 3,558,840</u>	<u>\$ 4,067,134</u>
<b>SUPPLEMENTAL DATA</b>		
Interest expense paid, net of interest expense capitalized of \$0 in 2008 and \$656,628 in 2007	<u>\$ 4,258,688</u>	<u>\$ 3,589,648</u>
Gifts in kind	<u>\$ 3,965,905</u>	<u>\$ 485,700</u>
Asset retirement cost	<u>\$ 105,059</u>	<u>\$ 35,380</u>
<b>NON-CASH FINANCING ACTIVITIES</b>		
Change in construction related payables	<u>\$ 88,609</u>	<u>\$ (1,461,281)</u>
Equipment acquired under capital lease agreements	<u>\$ 490,319</u>	<u>\$ 179,903</u>
Stock gifts	<u>\$ 5,361,453</u>	<u>\$ 5,996,332</u>

See notes to consolidated financial statements.

**ST. LAWRENCE UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

**NOTE 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 the undergraduate liberal arts studies and graduate studies in education. The University's enrollment is approximately 2,200 full-time students, with nearly an equal number of men and women from most U.S. states and forty-six other countries.

**Basis of Presentation**

The financial statements of St. Lawrence University (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 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**

LP operates a hotel and restaurant facility in Canton, New York. The following activity of LP is included in the consolidated statement of activities as revenues and expenses of auxiliary enterprises for the years ended June 30:

	<u>2008</u>	<u>2007</u>
Total LP revenues	\$ 3,437,329	\$ 3,278,913
Total LP expenses	<u>(3,436,800)</u>	<u>(2,940,967)</u>
Revenues in excess of expenses	<u>\$ 529</u>	<u>\$ 337,946</u>

Total LP assets of \$3,937,167 and \$4,278,963 as of June 30, 2008 and 2007, respectively, and total LP liabilities of \$3,397,329 and \$3,739,654 as of June 30, 2008 and 2007, respectively, are included in the consolidated statements of financial position.

**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.

**ST. LAWRENCE UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Inventories**

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

**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 \$3,585,000 and \$3,583,000 for the years ended June 30, 2008 and 2007, respectively.

**Accounts and Loan Receivables**

Accounts and loan receivables are reported net of provisions for doubtful accounts. The provision for doubtful accounts receivable approximated \$176,000 and \$143,000, respectively, at June 30, 2008 and 2007. The provision for doubtful loans receivable approximated \$410,000 and \$406,000 at June 30, 2008 and 2007, respectively. The provisions are intended to provide for accounts and loans (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.

**Deposits with Trustee of Debt Obligations**

Deposits with trustee of debt obligations represents debt service and certain reserve funds required by the trustee and includes unexpended bond proceeds of \$7,487 and \$1,500,000 at June 30, 2008 and 2007, respectively.

**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 (dividends and interest) is reported net of management and custodial fees of approximately \$1,234,000 and \$2,441,000 for 2008 and 2007, respectively.

**ST. LAWRENCE UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments (Continued)**

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 investments in the near term would materially affect the amounts reported in the consolidated statement of financial position and the consolidated statement of activities.

**Deferred Financing Costs**

Deferred financing costs consist of legal, underwriting and other fees for services rendered in connection with the issuance of long-term debt. Deferred financing costs are amortized over the life of the related debt.

**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 fiscal year end.

**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 expense is included in the statement of activities and is allocated to functional classifications based on facility space used within each functional category. Interest expense is capitalized during periods of construction.

**Asset Retirement Obligation**

The University accounts for asset retirement obligations in accordance with SFAS No. 143 *Accounting for Asset Retirement Obligations*, and FAS Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations- An interpretation of FASB Statement No. 143*. The University accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the University will recognize a gain or loss for any difference between the settlement amount and liability recorded.

**ST. LAWRENCE UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Postretirement Benefit Plans**

The University accounts for postretirement benefits in accordance with the Financial Accounting Standards Board issued SFAS No. 158, *Employer's Accounting for Defined Benefit Pension and Other Post-Retirement Plans* ("SFAS 158") which amended SFAS No.'s 87, 88, 106 and 132(R). SFAS 158 requires employers to recognize the over-funded or under-funded status of defined benefit pension and post-retirement plans as assets or liabilities in its consolidated balance sheet and to recognize changes in that funded status in the year in which the changes occur through changes in unrestricted net assets. The University initially adopted the balance sheet recognition provisions of SFAS 158 as of June 30, 2007. The impact of adoption resulted in a \$1,043,588 decrease in unrestricted net assets.

**Endowment Spending Formula**

The University has an endowment spending formula which is applied to the University's pooled endowment fund investments. It is intended to preserve the purchasing power of the corpus and insulate program spending from fluctuations in capital markets. The amount of pooled endowment fund investment return used annually to support operations is equivalent to 5.5% of a three-year moving average of the market value of pooled assets. Investment return equal to the annual spending rate are reflected as operating revenues and support and investment return in excess of the spending rate are reflected as non-operating support in the accompanying consolidated statements of activities. Spending in excess of investment return is reflected as a decrease in unrestricted net assets.

**Federal Student Loan Funds**

Funds provided by the United States Government under the Federal Perkins Loan Program are loaned to qualified students and may be re-loaned after collection. These funds are ultimately refundable to the government and are included as liabilities in the consolidated statements of financial position. Revenues from other government grants are recognized as they are earned in accordance with the applicable agreement. Grant expenses incurred before cash is received are recorded as receivables.

**Guaranteed Access to Education Program**

The University participated in the Guaranteed Access to Education (GATE) loan program. Under this program, the University recognizes future residual cash flows as an asset. Based on historical default rates and other assumptions, the residual receivables are \$852,441 and \$2,126,900 as of June 30, 2008 and 2007, respectively. These amounts are recorded in the consolidated financial statements in prepaid expenses and other assets. Also under this program, the University recognizes the discounted estimated pledge contribution as a liability. The liability related to the GATE program is \$1,739,231 and \$2,838,833 as of June 30, 2008 and 2007, respectively. These amounts are recorded in the consolidated financial statements in accounts payable and accrued expenses.

**ST. LAWRENCE UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Interest Rate Swap Agreements**

The University accounts for its interest rate swap transactions in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. The University uses interest rate swap agreements as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. The interest rate swap agreements were not entered into for trading or speculative purposes. All derivatives, including those embedded in other contracts as well as interest rate swap transactions, are recognized as either assets or liabilities and are measured at fair value. Changes in the fair values of the interest rate swap transactions are reflected in the statements of activities.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities and disclosures of contingent assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. The University's significant estimates include, but are not limited to, valuation of its investments, estimation of its conditional asset retirement obligations, the useful lives of fixed assets and estimated net realizable value of accounts and contributions receivable. Actual results could differ from these estimates.

**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.

**ST. LAWRENCE UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

**NOTE 2 — CONTRIBUTIONS RECEIVABLE**

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

	<u>2008</u>	<u>2007</u>
Less than one year	\$ 248,029	\$ 4,812,002
One year to five years	6,511,221	10,947,246
Over five years	<u>25,961,832</u>	<u>16,191,379</u>
	32,721,082	31,950,627
Less: Present value discount	(13,705,659)	(12,837,688)
Less: Allowance for uncollectible amounts	<u>-</u>	<u>-</u>
	19,015,423	19,112,939
Charitable remainder trusts	<u>3,478,714</u>	<u>3,417,299</u>
	<u>\$ 22,494,137</u>	<u>\$ 22,530,238</u>

As of June 30, 2008, the University has received and not recognized conditional promises and bequests with a future value of approximately \$21,160,000.

**NOTE 3 — TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2008</u>	<u>2007</u>
Contributions receivable	\$ 13,725,257	\$ 16,893,519
Charitable remainder trusts receivable	1,676,981	1,652,199
Annuity and life income funds	4,444,823	5,238,260
Gifts and other unexpended revenues for capital projects	2,012,777	1,003,161
Gifts and other unexpended revenues for operations	<u>4,300,283</u>	<u>3,263,644</u>
	<u>\$ 26,160,121</u>	<u>\$ 28,050,783</u>

**NOTE 4 — PERMANENTLY RESTRICTED NET ASSETS**

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

	<u>2008</u>	<u>2007</u>
Contributions and charitable remainder trusts receivable	\$ 7,091,899	\$ 3,984,520
Annuity and life income funds	1,336,655	1,709,488
Loan funds	666,814	639,466
Donor restricted investments	<u>92,468,830</u>	<u>88,265,951</u>
	<u>\$ 101,564,198</u>	<u>\$ 94,599,425</u>

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**NOTE 5 — LAND, BUILDINGS, AND EQUIPMENT**

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

	<u>2008</u>	<u>2007</u>
Land	\$ 2,661,733	\$ 2,654,737
Land improvements	15,344,458	14,821,289
Buildings and improvements	201,663,141	156,151,446
Equipment, art and books	43,860,533	40,603,890
	<u>263,529,865</u>	<u>214,231,362</u>
Less: accumulated depreciation	<u>(109,565,378)</u>	<u>(101,028,685)</u>
	153,964,487	113,202,677
Construction in progress	<u>1,048,679</u>	<u>38,365,946</u>
	<u>\$ 155,013,166</u>	<u>\$ 151,568,623</u>

Depreciation expense for the year ended June 30, 2008 and 2007 was approximately \$9,328,000 and \$8,576,000, respectively.

Construction in progress includes certain projects started but not completed at June 30, 2008, the most significant of which is Phase III of the University's renovations for the arts. The estimated cost to complete this project is approximately \$2.5 million at June 30, 2008.

*Contingencies Related to Land, Buildings and Equipment*

Asset Retirement Obligation (ARO)

In the normal course of operation, the University performs maintenance and repairs on its facilities in addition to renovation projects. As part of these activities, the University has identified areas containing materials that legally require removal at some point in the future (ARO). The primary material identified was asbestos that was used in the initial construction of many buildings at the University. As of June 30, 2008 and 2007, the University's estimated conditional asset retirement obligations approximated \$3,965,000 and \$4,246,000, respectively, and are reported as liabilities on the consolidated statement of financial position.

**NOTE 6 — INVESTMENTS**

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

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Short term investments	\$ 30,718,084	\$ 30,718,084	\$ 8,000,000	\$ 8,000,000
Stocks	4,719,818	10,904,356	4,414,558	14,046,592
Altern investments/limited partnerships	62,551,746	79,814,587	25,508,120	49,110,843
Mutual funds - equities	9,500,000	13,568,272	9,500,000	12,911,503
Institutional class mutual funds - fixed inc	32,107,207	30,601,771	38,789,771	39,349,377
Institutional class mutual funds - equities	83,991,006	76,330,517	125,039,638	138,576,660
Real estate and other	4,427,763	4,427,763	1,155,706	1,155,706
	<u>\$ 228,015,624</u>	<u>\$ 246,365,350</u>	<u>\$ 212,407,793</u>	<u>\$ 263,150,681</u>

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**NOTE 6 — INVESTMENTS (Continued)**

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 tables summarize changes in relationship between cost and market value of pooled assets for 2008 and 2007:

	<b>2008</b>				
	<b>Market</b>	<b>Cost</b>	<b>Unrealized Appreciation (Depreciation)</b>	<b>Fair Value Per Unit</b>	<b>Number of Units</b>
End of year	\$ 232,333,778	\$ 219,596,452	\$ 12,737,326	\$ 4,088.06	56,832
Beginning of year	253,078,306	205,543,300	<u>47,535,006</u>	\$ 4,405.66	57,444
Unrealized net loss for the year			(34,797,680)		
Realized net gain for the year			<u>16,895,716</u>		
Net loss for the year			<u><u>\$ (17,901,964)</u></u>		
	<b>2007</b>				
	<b>Market</b>	<b>Cost</b>	<b>Unrealized Appreciation (Depreciation)</b>	<b>Fair Value Per Unit</b>	<b>Number of Units</b>
End of year	\$ 253,078,306	\$ 205,543,300	\$ 47,535,006	\$ 4,405.66	57,444
Beginning of year	214,993,079	163,085,338	<u>51,907,741</u>	\$ 3,718.97	57,810
Unrealized net loss for the year			(4,372,735)		
Realized net gain for the year			<u>43,670,168</u>		
Net gain for the year			<u><u>\$ 39,297,433</u></u>		

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, 2008 and 2007, respectively.

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

	<b>2008</b>	<b>2007</b>
Dividends and interest	\$ 4,502,310	\$ 4,558,048
Net realized/unrealized gains (losses)	<u>(20,916,097)</u>	<u>40,644,210</u>
Total return on investments	(16,413,787)	45,202,258
Investment return designated for current operations	<u>(12,243,375)</u>	<u>(11,783,938)</u>
Investment return in excess of amounts designated for current operations	<u><u>\$ (28,657,162)</u></u>	<u><u>\$ 33,418,320</u></u>

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**NOTE 7 — DEBT OBLIGATIONS**

Debt obligations outstanding at June 30 are as follows:

	<u>2008</u>	<u>2007</u>
University:		
Capital lease obligation (a)	\$ 1,263,467	\$ 440,997
St. Lawrence County Industrial Development - Agency Civic Facility Revenue Bonds		
1996 Series (b)	1,715,000	2,145,000
1998A Series (c)	31,100,000	31,100,000
1998B Series (d)	5,580,000	6,135,000
2001A Series (e)	41,400,000	41,400,000
2005 Series (f)	<u>17,450,000</u>	<u>18,450,000</u>
Total University obligations	98,508,467	99,670,997
LP		
Term loan (g), (h)	<u>1,589,213</u>	<u>1,980,000</u>
Total debt obligations outstanding	<u>\$ 100,097,680</u>	<u>\$ 101,650,997</u>

- a) The University has entered into capital lease obligations for computer and laundry equipment. The original amount of all the capital lease obligations was \$1,995,246 and they bear interest at rates ranging from 3.69% to 4.37%. The leases require periodic payments ranging between \$11,453 and \$52,000, maturing in various dates through August 2017.
- b) In June 1996, the University issued \$11,580,000 of Series 96 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 IDA Civic Facility Revenue Bonds. The bonds bear interest at rates ranging from 4.25% to 5.625% and mature in varying amounts through 2013.
- c) 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 issues was for the construction of a new bookstore, renovations of the dining hall, library and athletic facilities, and other campus wide improvements. The bonds bear interest at rates ranging from 5% to 5.5% and mature in varying amounts through 2029.
- d) 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 at rates ranging from 3.55% to 4.75% and mature in varying amounts through 2026.

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**NOTE 7 — DEBT OBLIGATIONS (Continued)**

- e) 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 was determined each month at auction. Interest was payable every 28 days and the rates paid during the fiscal year ended June 30, 2008 ranged from 2.12% to 3.7%. In June 2008, the bonds were converted to variable rate demand bonds backed by a letter of credit issued by HSBC Bank. The interest rate on the converted bonds is determined weekly by a remarketing agent (Morgan Stanley) based on prevailing financial market conditions for tax exempt bonds with comparable maturity dates (1.4% at June 30, 2008). These bonds mature in 2031. The letter of credit contains a financial covenant with which the University was in compliance at June 30, 2008. On June 26, 2008, Standard & Poor's (S & P) changed the rating on the bonds to "AA/A-1+" from "AA" and removed the credit rating from CreditWatch based on the financial strength rating of HSBC. S & P affirmed the "A" rating and revised its outlook to positive from stable on the underlying rating for the University. On July 7, 2008, Moody's Investor Services (Moody's) reported they upgraded the previous long-term bond rating to "Aa2" from "A2" and assigned a short term rating of "VMIG1." Moody's ratings may terminate automatically on the earliest to occur of: (i) the stated expiration of the letter of credit, April 20, 2010; (ii) the mandatory tender preceding the expiration date of the letter of credit; (iii) upon conversion of the applicable bonds to an interest rate mode other than the weekly rate or the daily rate; or (iv) an earlier termination of the applicable letter of credit.
- f) In December, 2005, the University issued \$20,850,000 of Series 2005 St. Lawrence County Industrial Development Agency Civic Facility Revenue Bonds. The proceeds of the bonds were used to finance the construction of a new science center. The bonds were issued as auction rate bonds and the interest rate was determined every 7 days at auction. Interest was payable every 7 days and the rates paid during the fiscal year ended June 30, 2008 ranged from 3% to 5.4%. In June 2008, the bonds were converted to variable rate demand bonds backed by a letter of credit issued by HSBC Bank. The interest rate on the converted bonds is determined weekly by a remarketing agent (Morgan Stanley) based on prevailing financial market conditions for tax exempt bonds with comparable maturity dates (1.4% at June 30, 2008). These bonds mature in 2035. The letter of credit contains a financial covenant with which the University was in compliance at June 30, 2008. On June 26, 2008, S & P changed the rating on the bonds to "AA/A-1+" from "AA" and removed the credit rating from CreditWatch based on the financial strength rating of HSBC. S & P affirmed the "A" rating and revised its outlook to positive from stable on the underlying rating for the University. On July 7, 2008, Moody's reported they upgraded the previous long-term bond rating to "Aa2" from "A2" and assigned a short term rating of "VMIG1." Moody's ratings may terminate automatically on the earliest to occur of: (i) the stated expiration date of the letter of credit, April 20, 2010; (ii) the mandatory tender preceding the expiration date of the letter of credit; (iii) upon the conversion of the applicable bonds to an interest rate mode other than the weekly rate or the daily rate; or (iv) an earlier termination of the applicable letter of credit.
- 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 commenced August 2001 and continue through July 2010. 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.

**ST. LAWRENCE UNIVERSITY**  
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**NOTE 7 — DEBT OBLIGATIONS (Continued)**

- h) In June 2007, LP borrowed \$1,500,000 from a financial institution to finance the construction of a pool and fitness center. The interest rate on the loan is LIBOR plus 65 basis points. Monthly principal payments of approximately \$16,500 commenced July, 2007 and will continue through June 2022. The obligation is guaranteed by the University.

The estimated fair value of the University's bonds payable at June 30, 2008 is approximately \$97,056,909 based on rates currently available to the University for debt with similar terms and remaining maturities.

At June 30, 2008, annual principal requirements, including sinking fund deposits, are as follows:

2009	\$	2,699,747
2010		2,679,284
2011		2,497,713
2012		3,799,155
2013		3,879,973
Thereafter		<u>84,541,808</u>
	\$	<u>100,097,680</u>

Interest expense was \$4,255,884 and \$3,527,918, net of interest capitalized of \$0 and \$656,628 for the years ended June 30, 2008 and 2007, respectively.

**Interest Rate Swap Agreements**

In October 2005, the university entered into an interest rate swap agreement with an expiration date in October 2031. Neither the University nor the counterparty, which is a prominent financial institution, are required to collateralize their respective obligations under this swap. The purpose of this swap is to fix the interest rate on a piece of variable rate debt and reduce certain exposures to interest rate fluctuations. As of June 30, 2008, the notional amount of the swap was \$41,400,000. Under the agreement, the University paid the counterparty interest at a fixed rate of 3% through October 2007 and will pay 3.64% for the remaining life of the bond. The notional amount does not represent an amount exchanged by the parties, and is thus not a measure of exposure of the University. The amounts exchanged are based on the notional amounts and other terms of the swap. The fair value of this swap agreement was approximately \$(1,131,000) and \$777,000 at June 30, 2008 and 2007, respectively. Corresponding changes in the fair value of this swap agreement are recorded in the consolidated statement of activities.

In March 2007, the University entered into an interest rate swap agreement with an expiration date in July 2028. Neither the University nor the counterparty, which is a prominent financial institution, are required to collateralize their respective obligations under this swap. The purpose of this swap is to fix the interest rate on an anticipated refunding of the University's 1998A&B bonds in July 2008 (see Note 11). As of June 30, 2008, the notional amount of the swap was \$38,350,000. Under the agreement, the University will pay the counterparty interest a fixed rate of 3.805% for the remaining life of the bond. The notational amount does not represent an amount exchanged by the parties, and is thus not a measure of exposure of the University. The amounts exchanged are based on the notational amounts and other terms of the swap. The fair value of this swap agreement was approximately \$(855,000) and \$1,003,000 at June 30, 2008 and 2007, respectively. Corresponding changes in the fair value of this swap agreement are recorded in the consolidated statement of activities.

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**NOTE 7 — DEBT OBLIGATIONS (Continued)**

**Interest Rate Swap Agreements (Continued)**

In June 2007, LP entered into an interest rate swap agreement with an expiration date of June, 2022. The purpose of this swap is to fix the interest rate on a variable rate term loan. Under the agreement, the University will pay the counterpart interest at a fixed rate of 6.55%. As of June 30, 2008 and 2007, the notational amount of the swap was \$1,500,000 and the fair value was immaterial and is not recorded in these consolidated financial statements.

**Line of Credit**

The University has a \$5,000,000 operating line of credit that is uncollateralized and renewed annually. There were no outstanding balances on this line as of June 30, 2008 and 2007.

**NOTE 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 \$3,309,000 and \$3,139,000 in 2008 and 2007, respectively.
- (b) The University has a supplemental retirement pension plan, which was frozen on October 5, 1990. The measurement date of the plan is June 30 and information with respect to this plan is as follows:

	<u>2008</u>	<u>2007</u>
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of period	\$ 4,710,015	\$ 4,691,745
Interest cost	281,173	289,156
Benefits paid	(153,998)	(235,193)
Actuarial gains	<u>(60,979)</u>	<u>(35,693)</u>
Benefit obligation at end of period	<u>\$ 4,776,211</u>	<u>\$ 4,710,015</u>
<b>Change in plan assets at fair value</b>		
Plan assets at fair value at beginning of fiscal year	\$ 5,227,323	\$ 4,753,632
Actual return on assets	(419,912)	708,884
Benefits paid	<u>(153,998)</u>	<u>(235,193)</u>
Plan assets at fair value at end of fiscal year	<u>\$ 4,653,413</u>	<u>\$ 5,227,323</u>
<b>Components of pension asset (liability):</b>		
Funded status at the end of the year	<u>\$ (122,798)</u>	<u>\$ 517,308</u>

*Continued ...*

**ST. LAWRENCE UNIVERSITY**  
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**NOTE 8 — BENEFIT PLANS (Continued)**

	<u>2008</u>	<u>2007</u>
<b>Assumptions to determine benefit obligation</b>		
Discount rate	6.20%	6.25%
<b>Assumptions to determine net periodic benefit cost</b>		
Discount rate	6.25%	6.50%
Expected return on assets	8.50%	8.50%
<b>Components of net periodic pension benefit</b>		
Interest cost	\$ 281,173	\$ 289,156
Expected return on assets	(426,367)	(383,388)
Amortization of unrecognized net loss	-	7,684
Net periodic pension benefit	<u>\$ (145,194)</u>	<u>\$ (86,548)</u>

**Plan Assets**

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

	<u>2008</u>	<u>2007</u>
Domestic equity securities	44%	46%
Debt securities	41%	38%
International equity securities	15%	16%
	<u>100%</u>	<u>100%</u>

The plan's administrator consults with the Investment Committee and the University's investment advisor regarding appropriate investment and allocation of the plan assets.

The University consults with and considers the opinions of financial and other professionals in developing an appropriate expected rate of return.

**Cash Flow – Contributions**

The University expects that there will be no contributions to the plan in 2008.

**Estimated Future Benefit Payments**

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

2009	\$ 772,000
2010	510,000
2011	429,000
2012	372,000
2013	289,000
Thereafter	1,406,000

The estimated transition obligation, prior service cost, and net loss that will be amortized into net periodic benefit cost over the next fiscal year are \$0, \$0 and \$72,928, respectively.

**ST. LAWRENCE UNIVERSITY**  
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**NOTE 8 — BENEFIT PLANS** (Continued)

- (c) The University also provides health and life insurance benefits for eligible retired employees and their dependents. The measurement date of the plan is June 30 and information with respect to this plan is as follows:

	<u>2008</u>	<u>2007</u>
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of period	\$ 10,131,068	\$ 11,611,287
Effect of remeasurement (i)	<u>-</u>	<u>2,216,097</u>
Benefit obligation at beginning of period	10,131,068	13,827,384
Service cost	1,000,706	779,674
Interest cost	650,503	539,935
Plan participants' contributions	173,386	173,151
Benefits paid	(513,590)	(419,386)
Amendments (ii)	278,558	(5,316,065)
Medicare Part D subsidy	44,124	86,525
Actuarial loss (gain)	<u>(494,505)</u>	<u>459,850</u>
Benefit obligation at end of period	<u>\$ 11,270,250</u>	<u>\$ 10,131,068</u>

- (i) A remeasurement of the benefit obligation at the beginning of the year is the result of a change in actuarial assumptions and estimates.
- (ii) A 2007 plan amendment changed the eligibility requirements from age 62 with ten years of service to ten years of service after age 52 (or age 62 with ten consecutive years of service).

	<u>2008</u>	<u>2007</u>
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	\$ -	\$ -
Medicare part D subsidy	44,000	86,000
Employer Contributions	296,000	160,000
Plan participants contributions	173,000	173,000
Benefits paid	<u>(513,000)</u>	<u>(419,000)</u>
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
<b>Funded status and amount recognized:</b>		
Funded status at end of the year	<u>\$ (11,270,250)</u>	<u>\$ (10,131,068)</u>
<b>Assumptions to determine year end benefit obligation</b>		
Discount rate	7.00%	6.25%

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**NOTE 8 — BENEFIT PLANS (Continued)**

	<u>2008</u>	<u>2007</u>
<b>Components of net periodic benefit cost</b>		
Service cost	\$ 1,000,706	\$ 779,674
Interest cost	650,503	539,935
Amortization of prior service credit	(872,470)	(909,111)
Amortization of actuarial losses	<u>681,161</u>	<u>696,375</u>
Net periodic benefit cost	1,459,900	1,106,873
Effect of curtailment	<u>-</u>	<u>(1,069,238)</u>
Total postretirement benefit cost	<u>\$ 1,459,900</u>	<u>\$ 37,635</u>

The estimated transition obligation, prior service cost, and net loss that will be amortized into net periodic benefit cost over the next fiscal year are \$0, \$(860,256) and \$461,658, respectively.

For measurement purposes, a 9%, 7% and 10% annual rate of increase in the per capita cost of pre-65 and post-65 covered medical and prescription drug benefits, respectively, was assumed for fiscal year 2009. These rates were assumed to decrease gradually to 5.00% by fiscal year 2018 for medical and prescription drug benefits and remain at that level thereafter.

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:

	<u>1% Point Increase</u>	<u>1% Point Decrease</u>
Effect on total service and interest cost components	\$ 236,772	\$ (196,823)
Effect on post retirement benefit obligation	1,259,495	(1,073,904)

**Estimated Future Benefit Payments**

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

	<u>Gross Payments</u>	<u>Subsidy Receipts</u>
2009	\$ 663,000	\$ (102,900)
2010	805,500	(115,700)
2011	935,700	(129,300)
2012	1,046,000	(146,800)
2013	1,152,000	(164,100)
Thereafter	7,843,200	(1,133,500)

**ST. LAWRENCE UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 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.

**NOTE 10 — INSURED RISKS**

- a) The University participates in the New York College and University Risk Management Group Trust (the "Trust"). The Trust pays claims and judgments relating to worker's compensation. The Trust charges the University an annual amount based upon the overall experience of the Trust, including University specific experience. The amount of the University's liability for estimated workers' compensation claims was \$136,037 and \$180,675 at June 30, 2008 and 2007, respectively.
- b) The University is self-insured for medical insurance. It is the University's policy to reserve for anticipated claims and record this amount as an accrued liability based on claim history and management's estimate. This liability amounted to approximately \$631,000 and \$872,000 as of June 30, 2008 and 2007, respectively and is recorded within accounts payable and accrued expenses in the statements of financial position. The University has stop loss coverage on individual claims in excess of \$100,000 and aggregate claims in excess of 125% of expected claims.

**NOTE 11 — SUBSEQUENT EVENTS**

- a) In July, 2008, the University issued \$47,950,000 of Series 2008 Dormitory Authority of the State of New York Revenue Bonds. The purpose of the bonds was to provide \$10,000,000 for capital improvements and to refund and defease \$30,770,000 of the 1998A St. Lawrence County Industrial Development Agency Civic Facility Revenue Bonds and \$5,185,000 of the 1998B St. Lawrence County Industrial Development Agency Civic Facility Revenue Bonds. The Series 2008 bonds are variable rate demand bonds backed by a letter of credit issued by RBS Citizens N.A. The interest rate on the bonds is determined weekly by a remarketing agent (RBC Capital), based on prevailing financial market conditions for tax exempt bonds with comparable maturity dates. The interest rate swap agreement executed in March 2007 and described in Note 7 on page 16 relates to this bond issue.

On July 1, 2008, Standard & Poor's (S & P) issued a short-term rating of "AAA/A-1+" on the bonds based on the financial strength rating of RBS Citizens. Further, S & P affirmed the "A" rating and revised its outlook to positive from stable on the underlying rating for the University. On July 17, 2008, Moody's Investors Services (Moody's) upgraded the previous long-term bond rating to "Aaa" from "A2" and assigned a short-term rating of "VMIG 1" based on the financial strength of RBS Citizens. Moody's ratings may terminate automatically on the earliest to occur of: (i) the state expiration date of the letter of credit, April 20, 2010; (ii) the mandatory tender preceding the expiration date of the letter of credit; (iii) upon the conversion of the applicable bonds to an interest rate mode other than the weekly rate or the daily rate; or (iv) an earlier termination of the applicable letter of credit.

**ST. LAWRENCE UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

**NOTE 11 — SUBSEQUENT EVENTS** (Continued)

- b) On September 29, 2008, all participants in The Commonfund Short-Term Investment Fund (the "Fund"), including the University, were notified by the Fund manager that Fund liquidity was substantially restricted, and that the Fund trustee was initiating the termination of the Fund and establishing procedures for liquidation and distribution of the Fund's assets. The University had approximately \$6,872,000 and \$6,226,000 invested in the Fund as of June 30, 2008 and September 29, 2008, respectively. It is not expected that the University will suffer any losses or experience any operating difficulties as a result of this action. As of October 6, 2008, 40% of the University's September 29, 2008 balance in the Fund has been made available and that amount has been transferred to a fully-insured, interest bearing deposit account at Berkshire Bank.