

ST. LAWRENCE UNIVERSITY

AUDITED FINANCIAL STATEMENTS

Years ended June 30, 2009 and 2008

ST. LAWRENCE UNIVERSITY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
St. Lawrence University

We have audited the accompanying consolidated statements of financial position of St. Lawrence University ("the University") as of June 30, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years 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 audits.

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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Lawrence University as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

UHY LLP

Albany, New York
September 25, 2009

ST. LAWRENCE UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 999,236	\$ 3,558,840
Deposits with trustees of debt obligations	8,014,212	7,487
Accounts receivable, net	1,962,322	2,020,956
Inventories	2,173,922	2,112,067
Prepaid expenses and other assets	2,328,552	2,094,117
Contributions receivable, net	19,173,413	22,494,137
Loans receivable, net	3,496,575	3,450,653
Investments	190,492,788	246,365,350
Funds held for deferred giving	10,103,896	12,103,702
Deferred financing costs, net	2,217,937	2,352,333
Land, building and equipment, net	<u>154,740,199</u>	<u>155,013,166</u>
Total assets	<u>\$ 395,703,052</u>	<u>\$ 451,572,808</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 10,597,254	\$ 11,635,275
Deferred revenues	3,121,564	2,623,885
Conditional asset retirement obligations	4,005,570	3,964,587
Annuities and deferred giving obligations	4,684,641	6,269,194
Federal student loan funds	3,087,579	3,046,989
Accrued pension and postretirement benefits	13,693,357	11,393,048
Fair value of swap agreements	3,488,706	1,986,606
Debt obligations	<u>111,563,804</u>	<u>100,097,680</u>
Total liabilities	<u>154,242,475</u>	<u>141,017,264</u>
NET ASSETS		
Unrestricted		
Board designated for endowment	92,460,966	152,363,170
Undesignated	<u>22,846,488</u>	<u>30,468,055</u>
	115,307,454	182,831,225
Temporarily restricted	22,354,182	26,160,121
Permanently restricted	<u>103,798,941</u>	<u>101,564,198</u>
Total net assets	<u>241,460,577</u>	<u>310,555,544</u>
Total liabilities and net assets	<u>\$ 395,703,052</u>	<u>\$ 451,572,808</u>

See notes to consolidated financial statements.

ST. LAWRENCE UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2009
(With Comparative Totals for the Year Ended June 30, 2008)

	2009			2008 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating activities				
Tuition and fees	\$ 85,937,105	\$ -	\$ -	\$ 85,937,105
Room and board revenues	19,906,164	-	-	19,906,164
Less:				
Student financial aid-institutional	(37,381,222)	-	-	(37,381,222)
Student financial aid-government (SEOG)	(332,132)	-	-	(332,132)
Net student revenues	68,129,915	-	-	68,129,915
Auxiliary enterprises	8,862,183	-	-	8,862,183
Government grants	2,069,361	-	-	2,069,361
Private Gifts- annual	5,937,913	1,201,432	-	7,139,345
Private Gifts- nonrecurring	2,138,435	219,096	-	2,357,531
Endowment spending formula income	12,204,034	582,913	-	12,786,947
Investment income	250,751	2,119	-	252,870
Other	1,676,805	-	-	1,676,805
Total operating revenues	101,269,397	2,005,560	-	103,274,957
Net assets released from restrictions	4,291,925	(4,291,925)	-	-
Total operating revenues and net assets released from restrictions	105,561,322	(2,286,365)	-	103,274,957
Instruction	36,472,543	-	-	36,472,543
Research	325,413	-	-	325,413
Public service	2,278,527	-	-	2,278,527
Academic support	10,150,150	-	-	10,150,150
Student services	17,831,512	-	-	17,831,512
Institutional support	18,177,866	-	-	18,177,866
Auxiliary enterprises	23,915,291	-	-	23,915,291
Total operating expenses	109,151,302	-	-	109,151,302
Net operating activities	(3,589,980)	(2,286,365)	-	(5,876,345)
Nonoperating Activities				
Investment loss, net of spending formula	(57,502,623)	-	-	(57,502,623)
Realized and unrealized loss on interest rate swap agreements	(3,589,100)	-	-	(3,589,100)
Loss on refunded bonds	(1,538,204)	-	-	(1,538,204)
Contributions for long-term investment	-	-	2,495,591	2,495,591
Deferred giving net activity	-	(1,295,799)	(523,327)	(1,819,126)
Other	(118,159)	(223,775)	262,479	(79,455)
Net nonoperating activities	(62,748,086)	(1,519,574)	2,234,743	(62,032,917)
Change in net assets before pension/benefit related changes other than net periodic pension/benefit cost	(66,338,066)	(3,805,939)	2,234,743	(67,909,262)
Pension/benefit related changes other than net periodic pension/benefit cost	(1,185,705)	-	-	(1,185,705)
Change in net assets	(67,523,771)	(3,805,939)	2,234,743	(69,094,967)
Net assets at beginning of year	182,831,225	26,160,121	101,564,198	310,555,544
Net assets at end of year	\$ 115,307,454	\$ 22,354,182	\$ 103,798,941	\$ 310,555,544

See notes to consolidated financial statements.

ST. LAWRENCE UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating activities				
Tuition and fees	\$ 79,637,309	\$ -	\$ -	\$ 79,637,309
Room and board revenues	18,411,683	-	-	18,411,683
Less:				
Student financial aid-institutional	(34,256,866)	-	-	(34,256,866)
Student financial aid-government (SEOG)	(378,380)	-	-	(378,380)
Net student revenues	63,413,746	-	-	63,413,746
Auxiliary enterprises	8,673,986	-	-	8,673,986
Government grants	2,449,770	-	-	2,449,770
Private gifts- annual	9,694,647	3,925,097	-	13,619,744
Private gifts- nonrecurring	4,507,862	291,331	-	4,799,193
Endowment spending formula income	11,496,067	515,141	-	12,011,208
Investment income	219,106	13,061	-	232,167
Other	1,571,380	-	-	1,571,380
Total operating revenues	102,026,564	4,744,630	-	106,771,194
Net assets released from restrictions	5,183,604	(5,183,604)	-	-
Total operating revenues and net assets released from restrictions	107,210,168	(438,974)	-	106,771,194
Instruction	35,453,895	-	-	35,453,895
Research	342,546	-	-	342,546
Public service	2,359,339	-	-	2,359,339
Academic support	9,452,536	-	-	9,452,536
Student services	17,750,256	-	-	17,750,256
Institutional support	17,886,956	-	-	17,886,956
Auxiliary enterprises	23,730,907	-	-	23,730,907
Total operating expenses	106,976,435	-	-	106,976,435
Net operating activities	233,733	(438,974)	-	(205,241)
Nonoperating activities				
Investment return (loss), net of spending formula	(28,071,965)	-	-	(28,071,965)
Realized and unrealized loss on interest rate swap agreements	(3,766,606)	-	-	(3,766,606)
Contributions for long-term investment	-	-	6,362,614	6,362,614
Deferred giving net activity	-	(619,175)	(240,108)	(859,283)
Other	(1,081,903)	(832,513)	842,267	(1,072,149)
Net nonoperating activities	(32,920,474)	(1,451,688)	6,964,773	(27,407,389)
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)
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)
Net assets at beginning of year	216,012,877	28,050,783	94,599,425	338,663,085
Net assets at end of year	\$ 182,831,225	\$ 26,160,121	\$ 101,564,198	\$ 310,555,544

See notes to consolidated financial statements.

ST. LAWRENCE UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(69,094,967)	\$(28,107,541)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation, amortization, and accretion	10,268,022	10,867,744
Realized and unrealized loss on investments	47,325,262	20,916,097
Contributions for long-term investments and assets	(4,786,145)	(11,062,529)
Change in value of deferred gifts	373,313	1,289,821
Change in fair value of swap agreements	-	3,766,606
Realized loss on swap agreement	3,589,100	-
Loss on refunded bonds	1,538,204	-
Loss (gain) on property disposal	25,295	(4,237)
Changes in assets and liabilities:		
Accounts receivable, net	58,634	580,769
Inventories	(61,855)	(283,567)
Prepaid expenses and other assets	(234,435)	1,957,107
Contributions receivable, net	1,742,664	1,062,443
Accounts payable and accrued expenses	(299,021)	(1,154,903)
Deferred revenues	497,679	(313,300)
Accrued pension and postretirement benefits	2,300,309	1,261,980
Conditional asset retirement obligations	93,832	(470,000)
Net cash (used in) provided by operating activities	<u>(6,664,109)</u>	<u>306,490</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of land, building and equipment	(10,226,036)	(10,877,393)
Proceeds from asset disposal	66,521	104,737
Proceeds from loan collections	378,671	525,749
Loans issued	(424,593)	(807,560)
Payment on swap agreement settlement	(2,087,000)	-
Purchases of investments	(125,598,433)	(107,956,702)
Proceeds from sales and maturities of investments	137,426,635	113,596,687
Net cash used in investing activities	<u>(464,235)</u>	<u>(5,414,482)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowing	50,417,156	730,236
Long-term debt proceeds transferred to bond trustees	(13,772,086)	-
Release of funds held by bond trustees	5,045,360	1,492,512
Contributions for long-term investments	121,089	4,012,352
Contributions for long-lived assets	2,709,227	1,950,454
Increase in federal student loan funds	40,590	(1,023)
Payments on long-term debt	(38,907,496)	(2,726,865)
Financing costs paid	(1,085,100)	(857,968)
Net cash provided by financing activities	<u>4,568,740</u>	<u>4,599,698</u>
Net decrease in cash and cash equivalents	(2,559,604)	(508,294)
Cash and cash equivalents at beginning of year	3,558,840	4,067,134
Cash and cash equivalents at end of year	<u>\$ 999,236</u>	<u>\$ 3,558,840</u>
SUPPLEMENTAL DISCLOSURES		
Interest expense paid	<u>\$ 1,766,546</u>	<u>\$ 4,258,688</u>
Gifts in kind	<u>\$ 294,927</u>	<u>\$ 3,965,905</u>
Asset retirement cost	<u>\$ 134,548</u>	<u>\$ 105,059</u>
NON-CASH FINANCING ACTIVITIES		
Fixed assets acquired through accounts payable	<u>\$ 961,000</u>	<u>\$ 1,700,000</u>
Equipment acquired under capital lease agreements	<u>\$ 1,650,043</u>	<u>\$ 490,319</u>
Stock gifts	<u>\$ 3,958,161</u>	<u>\$ 5,361,453</u>

See notes to consolidated financial statements.

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

St. Lawrence University (the "University") was chartered by the Legislature of the State of New York (the "State") in 1856 and is the oldest continuously operated 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 consolidated financial statements of St. Lawrence 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.

For purposes of preparing the consolidated financial statements, the University considered events through September 25, 2009. See Note 13 for disclosure regarding subsequent event transactions. No material events have occurred since date of financial statements, which have not been disclosed in these financial statements.

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 statements of activities as revenues and expenses of auxiliary enterprises for the years ended June 30:

	<u>2009</u>	<u>2008</u>
Total LP revenues	\$ 3,509,329	\$ 3,437,329
Total LP expenses	<u>(3,440,720)</u>	<u>(3,436,800)</u>
Revenues in excess of expenses	<u>\$ 68,609</u>	<u>\$ 529</u>

Total LP assets of \$3,745,824 and \$3,937,167 and total LP liabilities of \$3,137,377 and \$3,397,329 as of June 30, 2009 and 2008, respectively, are included in the consolidated statements of financial position.

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash equivalents include short-term, highly liquid investments with an original maturity of three months or less when purchased except for cash equivalents included in investment pools, which are included in investments in the accompanying consolidated statements of financial position. Cash and cash equivalents are reported at cost which approximates fair value.

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 \$4,005,000 and \$3,585,000 for the years ended June 30, 2009 and 2008, respectively.

Accounts and Loans Receivable

Accounts and loans receivable are reported net of provisions for doubtful accounts. The provision for doubtful accounts receivable approximated \$138,000 and \$176,000 at June 30, 2009 and 2008, respectively. The provision for doubtful loans receivable approximated \$465,000 and \$410,000 at June 30, 2009 and 2008, respectively. The provisions are intended to provide for accounts and loans that may not be collected.

Deposits with Trustees of Debt Obligations

Deposits with trustees of debt obligations represent debt service and certain reserve funds required by the trustees and include unexpended bond proceeds of approximately \$8,014,000 and \$7,000 at June 30, 2009 and 2008, respectively.

Investments

The University accounts for its investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 7 for discussion of fair value measurements.

Realized and unrealized gains and losses include gains and losses from purchases and sales of investments as well as changes in value of assets held during the year and are recognized in the accompanying consolidated statement of activities. Gains or losses on investments are recognized as an increase or decrease in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Investment income (dividends and interest) is reported net of management and custodial fees of approximately \$1,592,000 and \$1,234,000 for 2009 and 2008, respectively.

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 statements 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. Amortization expense was approximately \$400,000 and \$114,000 for the years ended June 30, 2009 and 2008, 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.

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 consolidated statements of activities and is allocated to functional classifications based on relative facility space utilized within each functional category. Interest expense is capitalized during periods of construction. Art collections are stated at cost, if purchased, or fair market value at the date of receipt, if acquired by contribution; however these items are not depreciated. All gifts of land, buildings and equipment are recorded as unrestricted non-operating resources, unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted non-operating resources.

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Tuition, fees, room, and board revenue is earned over the academic year as services are provided. Funds received in advance of services provided are included in deferred revenue.

Conditional Asset Retirement Obligations

The University recognizes a liability when a legal obligation exists to perform an asset retirement in which the timing or method of settlement is conditional on a future event that may or may not be under the control of the University. Asset retirement obligation (the "ARO") is recognized at its net present value with a corresponding increase in the carrying amount of the long-lived asset to which the ARO relates. 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. The capitalized asset cost is depreciated over the useful life of the related long-lived asset.

Pension and Other Postretirement Benefit Plans

The University accounts for postretirement benefits in accordance with Statement of Financial Accounting Standards No. 158, *Employer's Accounting for Defined Benefit Pension and Other Post-Retirement Plans* ("SFAS 158"). SFAS 158 requires employers to recognize the over-funded or under-funded status of defined benefit pension and postretirement plans as assets or liabilities in its consolidated statements of financial position and to recognize changes in that funded status in the year in which the changes occur through changes 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.

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 \$912,774 and \$852,441 as of June 30, 2009 and 2008, respectively. These amounts are recorded in the consolidated statements of financial position 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 \$1,576,260 and \$1,739,231 as of June 30, 2009 and 2008, respectively. These amounts are recorded in the consolidated statements of financial position in accounts payable and accrued expenses.

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009 and 2008

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 are not designated as hedge of cash flows related to its debt agreements. 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. Gains and losses on settlements and changes in the fair values of the interest rate swap transactions are reflected in the consolidated statement 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 consolidated 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 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 those 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 those 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 a limited liability company; therefore all income passes through to the University as sole member and is subject to unrelated business income taxes.

Reclassification

Certain items for the year ended June 30, 2008 have been reclassified to conform to the presentation for the year ended June 30, 2009.

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 2 — CONTRIBUTIONS RECEIVABLE

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

	<u>2009</u>	<u>2008</u>
Less than one year	\$ 3,005,678	\$ 248,029
One year to five years	5,390,322	6,511,221
Over five years	<u>21,053,682</u>	<u>25,961,832</u>
	29,449,682	32,721,082
Less: Present value discount (1.68% to 8.85%)	(12,888,213)	(13,705,659)
Less: Allowance for uncollectible amounts	<u>-</u>	<u>-</u>
	16,561,469	19,015,423
Charitable remainder trusts	<u>2,611,944</u>	<u>3,478,714</u>
	<u>\$ 19,173,413</u>	<u>\$ 22,494,137</u>

As of June 30, 2009, the University has received and not recognized conditional promises and bequests with a future value of approximately \$17,980,000.

NOTE 3 — TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2009</u>	<u>2008</u>
Contributions and charitable remainder trusts receivable	\$ 12,837,212	\$ 15,402,238
Annuity and life income funds	3,026,659	4,444,823
Gifts and other unexpended revenues for capital projects	2,723,374	2,012,777
Gifts and other unexpended revenues for operations	<u>3,766,937</u>	<u>4,300,283</u>
	<u>\$ 22,354,182</u>	<u>\$ 26,160,121</u>

NOTE 4 — PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2009</u>	<u>2008</u>
Contributions and charitable remainder trusts receivable	\$ 6,336,201	\$ 7,091,899
Annuity and life income funds	1,065,248	1,336,655
Loan funds	697,458	666,814
Donor restricted investments	<u>95,700,034</u>	<u>92,468,830</u>
	<u>\$ 103,798,941</u>	<u>\$ 101,564,198</u>

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 — LAND, BUILDINGS, AND EQUIPMENT

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

	<u>2009</u>	<u>2008</u>
Land	\$ 2,661,733	\$ 2,661,733
Land improvements	15,747,754	15,344,458
Buildings and improvements	207,085,029	201,663,141
Equipment, art and books	45,288,057	43,860,533
	<u>270,782,573</u>	<u>263,529,865</u>
Less: accumulated depreciation	<u>(117,805,176)</u>	<u>(109,565,378)</u>
	152,977,397	153,964,487
Construction in progress	<u>1,762,802</u>	<u>1,048,679</u>
	<u>\$ 154,740,199</u>	<u>\$ 155,013,166</u>

Depreciation expense for the year ended June 30, 2009 and 2008 was approximately \$9,732,000 and \$9,328,000, respectively.

Construction in progress includes certain projects started but not completed at year end, 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 \$6.3 million at June 30, 2009.

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, 2009 and 2008, the University's estimated conditional asset retirement obligations of approximately \$4,006,000 and \$3,965,000, respectively, and are reported as liabilities in the consolidated statements of financial position.

NOTE 6 — INVESTMENTS

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

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Short term investments	\$ 17,678,007	\$ 17,678,007	\$ 31,031,632	\$ 31,031,632
Equity securities	9,403,517	14,452,781	4,719,818	10,904,356
Alternative investments/limited partnerships	117,511,467	123,926,912	62,551,746	79,814,587
Mutual funds	21,263,419	25,102,196	9,500,000	13,568,272
Index funds	4,663,325	5,144,443	-	-
Institutional class mutual funds	-	-	116,098,213	106,932,288
Real estate	4,188,449	4,188,449	4,114,215	4,114,215
	<u>\$ 174,708,184</u>	<u>\$ 190,492,788</u>	<u>\$ 228,015,624</u>	<u>\$ 246,365,350</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 2009 and 2008:

	2009				
	Market	Cost	Unrealized Appreciation (Depreciation)	Fair Value Per Unit	Number of Units
End of year	\$ 177,634,526	\$ 165,457,683	\$ 12,176,843	\$ 3,287.32	54,036
Beginning of year	232,333,778	219,596,452	<u>12,737,326</u>	\$ 4,088.06	56,832
Change in unrealized appreciation for the year (gain (loss))			(560,483)		
Realized net loss for the year			<u>(44,904,609)</u>		
Net loss for the year			<u>\$ (45,465,092)</u>		

	2008				
	Market	Cost	Unrealized Appreciation (Depreciation)	Fair Value Per Unit	Number of Units
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
Change in unrealized appreciation for the year (gain (loss))			(34,797,680)		
Realized net gain for the year			<u>16,895,716</u>		
Net loss for the year			<u>\$ (17,901,964)</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, 2009 and 2008, respectively.

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

	2009	2008
Dividends and interest	\$ 2,125,389	\$ 4,502,310
Net realized/unrealized gains (losses)	<u>(46,588,195)</u>	<u>(20,330,900)</u>
Total return on investments	(44,462,806)	(15,828,590)
Investment return designated for current operations	<u>13,039,817</u>	<u>12,243,375</u>
Investment return in excess of amounts designated for current operations	<u>\$ (57,502,623)</u>	<u>\$ (28,071,965)</u>

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NOTE 7 — FAIR VALUE MEASUREMENTS

FASB Statement No. 157, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.

Level 2 Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2009 and 2008.

Short Term Investments: Consist of cash, money market funds, common funds, and cash surrender value of life insurance (CSV). Money market funds are primarily invested in obligations issued by the U.S. Treasury and valued at the closing price reported on the active market on which such obligations are traded. Common funds are valued at the net asset value (NAV) of shares held at year end. Management has considered, among other things, the type of the underlying investment, marketability, cost, financial condition, and quotations from other market participants, and has concluded there would be no significant adjustment required to the NAV. CSV is valued based on the face amount of the contract discounted at a specific rate of interest according to the insured's life expectancy.

Equity Securities: Publicly traded equity securities listed on a national securities exchange are valued at the closing price reported on the exchange at the date of determination. For non-publicly traded instruments, fair value is determined based on other relevant factors such as dealer price quotations and price activity for equivalent instruments.

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NOTE 7 — FAIR VALUE MEASUREMENTS (Continued)

Alternative Investments/Limited Partnerships: Valued at the net asset value (NAV) of shares held at year end. Management has considered, among other things, the type of the underlying investment, marketability, cost, financial condition, and quotations from other market participants, and has concluded there would be no significant adjustment required to the NAV.

Mutual Funds and Index Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Derivative Instruments: Derivative instruments include interest rate swap agreements which are valued using market price quotations or pricing models.

Real Estate: Valued at estimated fair value which is based on the cost or the most recent appraised value of the property conducted by a qualified professional with knowledge of the relevant geographic location and/or property.

Charitable remainder trusts: Valued at estimated present value of the funds to be received when the trust terminates using various assumptions with regard to the anticipated date of termination, appropriate rate of discount, and market returns.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the University's assets and liabilities at fair value as of June 30, 2009:

Investments	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
Short term investments	\$ 16,517,708	\$ 762,946	\$ 397,352	\$ 17,678,006
Equity securities	14,391,008	61,773	-	14,452,781
Alternative investments/limited partnerships	-	98,041,790	25,885,123	123,926,913
Mutual funds	25,102,196	-	-	25,102,196
Index funds	5,144,443	-	-	5,144,443
Real estate	-	-	4,188,449	4,188,449
Total investments	\$ 61,155,355	\$ 98,866,509	\$ 30,470,924	\$ 190,492,788

Contributions Receivable
- Charitable Remainder Trusts

	Assets at Fair Value			Total
	Level 1	Level 2	Level 3	
Charitable remainder trusts	\$ -	\$ -	\$ 2,611,944	\$ 2,611,944
Total charitable remainder trusts	\$ -	\$ -	\$ 2,611,944	\$ 2,611,944

ST. LAWRENCE UNIVERSITY
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NOTE 7 — FAIR VALUE MEASUREMENTS (Continued)

Funds Held for Deferred Giving

	<i>Assets at Fair Value</i>			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 1,171,087	\$ -	\$ -	\$ 1,171,087
Fixed income investments	578,018	2,648,436	-	3,226,454
Equity investments	3,361,288	1,433,676	-	4,794,964
Real estate	-	-	911,391	911,391
Total funds held for deferred giving	\$ 5,110,393	\$ 4,082,112	\$ 911,391	\$ 10,103,896

Deposits with Bond Trustees

	<i>Assets at Fair Value</i>			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 4,566,133	\$ -	\$ -	\$ 4,566,133
Fixed income investments	3,448,079	-	-	3,448,079
Total deposits with bond trustees	\$ 8,014,212	\$ -	\$ -	\$ 8,014,212

Interest rate swap agreements

	<i>Liabilities at Fair Value</i>			
	Level 1	Level 2	Level 3	Total
Interest rate swap agreements	\$ -	\$ -	\$ (3,488,706)	\$ (3,488,706)
Total interest rate swap agreements	\$ -	\$ -	\$ (3,488,706)	\$ (3,488,706)

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the University's level 3 assets and liabilities for the year ended June 30, 2009.

	Investments	Charitable Remainder Trusts	Funds Held for Deferred Giving	Deposits with Bond Trustees	Interest Rate Swap Agreements
Balance at July 1, 2008	\$ 34,553,791	\$ 3,540,297	\$ 1,388,609	\$ -	\$ (1,986,606)
Total gains or losses (realized and unrealized) included in non-operating losses	(6,791,602)	(928,353)	(477,218)	-	(3,392,735)
Purchases, sales, gifts, issuances and settlements	2,708,735	-	-	-	1,890,635
Balance at June 30, 2009	\$ 30,470,924	\$ 2,611,944	\$ 911,391	\$ -	\$ (3,488,706)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 — ENDOWMENT

In August 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FAS 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds (FSP FAS 117-1). FSP FAS 117-1 requires additional disclosures about an organization's endowment funds whether or not the organization is subject to UPMIFA.

In 1978, the State of New York enacted the Uniform Management of Institutional Funds Act (UMIFA). Under the Act, not-for-profit organizations were provided uniform rules relating to the investment of funds donated as "endowment" to these organizations. Among its many provisions, the Act initiated the concept of total return expenditure of endowment assets for charitable program purposes, expressly permitting the prudent expenditure of both appreciation and income, and replacing the prior law that only investment income (such as interest and dividends) could be expensed from endowments. Under this concept, investment growth (or appreciation) and income could be utilized for program purposes, subject to the rule that an endowment fund could not be expended below "historical dollar value" (generally, the amount of the donor's original gift). In order to fulfill this requirement, in the event that market fluctuations cause the market value of a donated endowed fund to be less than historical dollar value, the University will temporarily fund from unrestricted net assets to permanently restricted net assets the amount to fulfill this requirement. For the year ended June 30, 2009, there were approximately 66 "underwater" funds in which the market value was less than original gift value, and approximately \$5,560,000 was funded from unrestricted net assets.

Endowment Investment Policies. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to preserve the purchasing power of the corpus and insulate program spending from fluctuations in capital markets while assuming a moderate level of investment risk.

Endowment Investment and Spending Policies. The University has an endowment "total return" investment spending policy. It is intended to preserve the purchasing power of the corpus and insulate program spending from fluctuations in capital markets. The amount of endowment investment return (yield and appreciation) used annually to support operations is equivalent to 5.5% of the weighted average of these investments over the prior twelve quarters. Investment returns equal to the annual spending rate are reflected as operating support and investment returns in excess of the spending rate are reflected as nonoperating support in the accompanying consolidated statement of activities. Spending in excess of investment return is reflected as a decrease in unrestricted net assets.

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 — ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of June 30, 2009 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ -	\$ -	\$ 95,700,034	\$ 95,700,034
Board-designated funds	92,460,966	-	-	92,460,966
Total funds	<u>\$ 92,460,966</u>	<u>\$ -</u>	<u>\$ 95,700,034</u>	<u>\$ 188,161,000</u>

Changes in endowment net assets for the fiscal year ended June 30, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 152,363,170	\$ -	\$ 92,468,830	\$ 244,832,000
Contributions	66,977	-	2,974,023	3,041,000
Transfer (to) from other funds	(154,133)	-	257,181	103,048
Net appreciation (depreciation)	(47,314,694)	-	-	(47,314,694)
Amounts appropriated for expenditure	(12,500,354)	-	-	(12,500,354)
Endowment net assets, end of year	<u>\$ 92,460,966</u>	<u>\$ -</u>	<u>\$ 95,700,034</u>	<u>\$ 188,161,000</u>

NOTE 9 — DEBT OBLIGATIONS

Debt obligations outstanding at June 30 are as follows:

	<u>2009</u>	<u>2008</u>
University:		
Capital lease obligation (a)	\$ 3,030,074	\$ 1,263,467
St. Lawrence County Industrial Development Agency Civic Facility Revenue Bonds		
1996 Series (b)	1,410,000	1,715,000
1998A Series (c)	-	31,100,000
1998B Series (d)	-	5,580,000
2001A Series (e)	41,400,000	41,400,000
2005 Series (f)	16,450,000	17,450,000
New York State Dormitory Authority Bonds		
2008 Series (g)	47,950,000	-
Total University obligations	110,240,074	98,508,467
LP		
Term loan (h), (i)	1,323,730	1,589,213
Total debt obligations outstanding	<u>\$ 111,563,804</u>	<u>\$ 100,097,680</u>

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 — DEBT OBLIGATIONS (Continued)

- a) The University entered into capital lease obligations for computer and laundry equipment. The original amount of all the capital lease obligations was \$4,462,402 and they bear interest at rates ranging from 3.69% to 4.76%. The leases require periodic payments ranging between \$11,455 and \$56,248, maturing in various dates through August 2017.
- b) 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 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. The bonds were refinanced in July 2008 with proceeds from Series 2008 New York State Dormitory Authority Bonds.
- 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. The bonds were refinanced in July 2008 with proceeds from Series 2008 New York State Dormitory Authority Bonds.
- 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. 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 was determined weekly by a remarketing agent (Morgan Stanley) based on prevailing financial market conditions for tax exempt bonds with comparable maturity dates (ranging from 0.05% to 6.50% for the year ended June 30, 2009). On July 1, 2009, the bonds were converted to fixed rate bonds and the letter of credit was terminated. Bonds totaling \$1,500,000 bear interest at 4% and mature in 2014, and bonds totaling \$39,900,000 bear interest at 5% and mature in 2016. The bonds are secured by a pledge of tuition revenues, which include tuition and fees charged by the University to students for academic instruction, and the right to receive such tuition and fees, in an amount equal to the maximum debt service payable on the bonds in any bond year.

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NOTE 9 — DEBT OBLIGATIONS (Continued)

- 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. 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 was determined weekly by a remarketing agent (Morgan Stanley) based on prevailing financial market conditions for tax exempt bonds with comparable maturity dates (ranging from 0.05% to 6.50% for the year ended June 30, 2009). On July 1, 2009, the bonds were converted to fixed rate bonds and the letter of credit was terminated. The fixed rate bonds bear interest rates from 3% to 5% and mature in varying amounts until October 2016 when the scheduled remaining principal amount of \$9,705,000 matures. The bonds are secured by a pledge of tuition revenues, which include tuition and fees charged by the University to students for academic instruction, and the right to receive such tuition and fees, in an amount equal to the maximum debt service payable on the bonds in any bond year.
- g) In July 2008, the University issued \$47,950,000 of New York State Dormitory Authority Series 2008 St. Lawrence University Revenue Bonds. The proceeds of the bonds were used to advance refund the Series 1998A and 1998B St. Lawrence County Industrial Development Agency Civic Facility Revenue Bonds and provide \$10,000,000 of construction proceeds to fund various renovation projects on campus. The bonds were variable demand bonds backed by a letter of credit issued by RBS Citizens, National Association. The interest rate on the bonds was determined weekly by a Remarketing Agent, Morgan Stanley, based on prevailing financial market conditions for tax exempt bonds with comparable maturity dates. The rates paid during the fiscal year ended June 30, 2009 ranged from 0.35% to 8%. On July 1, 2009, the bonds were converted to fixed rate bonds and the letter of credit was terminated. The fixed rate bonds bear an interest rate of 5% and mature in 2014. The University agrees to maintain a debt service coverage ratio (operating income available for debt service to annual debt service) of at least 1.25 to 1. The University covenants to demonstrate at the end of each fiscal year sufficient unrestricted resources equal to a percentage of long-term indebtedness which shall be at least 30% for the year ending June 30, 2010 and increase over time to 75% for the fiscal year ended June 30, 2018 and thereafter. The bonds are secured by pledged revenues which include the tuition and fees charged for academic instruction and the right to receive such tuition and fees, in an amount equal to the maximum debt service payable on the bonds. The bonds are also secured by a mortgage granted by the University to the Dormitory Authority on parcels of land comprising approximately 70.1 acres. The mortgage encompasses certain athletic facilities of the University and the University's bookstore.
- h) 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 (3.60% at June 30, 2009). Monthly principal payments of \$13,333 commenced August 2001 and continue 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.

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NOTE 9 — DEBT OBLIGATIONS (Continued)

- i) 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 (2.25% at June 30, 2009). Monthly principal payments of approximately \$8,300 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, 2009 is approximately \$109,677,947 based on rates currently available to the University for debt with similar terms and remaining maturities.

At June 30, 2009, annual principal requirements, including sinking fund deposits, are as follows (after consideration of July 1, 2009 bonds conversion as described at e, f and g above):

2010	\$ 3,546,250
2011	2,154,024
2012	2,024,198
2013	1,311,788
2014	1,453,766
Thereafter	<u>101,073,778</u>
	<u>\$ 111,563,804</u>

Interest expense was \$1,766,546 and \$4,255,884 for the years ended June 30, 2009 and 2008, 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, is required to collateralize their respective obligations under this swap. The purpose of this swap is to effectively fix the interest rate on a piece of variable rate debt and reduce certain exposures to interest rate fluctuations. However, this transaction has not been designated as a hedge and gains and losses on settlements are included in operating expenses in the consolidated statements of activities. As of June 30, 2009, the notional amount of the swap was \$41,400,000. Under the agreement, the University pays the counterparty interest at a fixed rate of 3.634% and receives a variable interest payment at a floating rate of 68% of USD-LIBOR-BBA. 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 \$(3,292,000) and \$(1,131,000) at June 30, 2009 and 2008, respectively. Corresponding changes in the fair value of this swap agreement are recorded in realized and unrealized gain (loss) on interest rate swap agreements in the consolidated statements of activities.

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9 — DEBT OBLIGATIONS (Continued)

Interest Rate Swap Agreements (Continued)

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, is required to collateralize their respective obligations under this swap. The purpose of this swap was to effectively fix the interest rate on an anticipated refunding of the University's 1998 A&B bonds in July 2008. Under the agreement, the University paid the counterparty interest a fixed rate of 3.393% and received a variable interest payment at a floating rate of 68% of USD-LIBOR-BBA. 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. As of June 30, 2008, the notional amount of the swap was \$38,350,000, and the fair value of this swap agreement was approximately \$(855,000). In June 2009, the University terminated this swap with a cash payment of \$2,087,000 and recorded a loss of approximately \$(1,232,000) which is recorded in realized and unrealized gain (loss) on interest rate swap agreements in the consolidated statements of activities.

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 effectively fix the interest rate on a variable rate term loan. However, this transaction has not been designated as a hedge and gains and losses on settlements are included in operating expenses in the consolidated statements of activities. Under the agreement, the University pays the counterparty interest at a fixed rate of 6.55% and receives a variable interest payment at a floating rate of USD-LIBOR-BBA plus .65%. As of June 30, 2009 and 2008, the notational amount of the swap was \$1,500,000. The fair value of this swap agreement was approximately \$(196,000) and \$0 at June 30, 2009 and 2008, respectively. Corresponding changes in the fair value of this swap agreement are recorded in realized and unrealized gain (loss) on interest rate swap agreements in the consolidated statement of activities.

Line of Credit

The University has a \$5,000,000 operating line of credit that is uncollateralized and renews annually. There were no outstanding balances on this line as of June 30, 2009 and 2008.

NOTE 10 — 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 \$3,394,000 and \$3,309,000 in 2009 and 2008, respectively.

ST. LAWRENCE UNIVERSITY
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NOTE 10 — BENEFIT PLANS (Continued)

(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>2009</u>	<u>2008</u>
Change in benefit obligation:		
Benefit obligation at beginning of period	\$ 4,776,211	\$ 4,710,015
Interest cost	272,190	281,173
Benefits paid	(590,775)	(153,998)
Actuarial gains	(12,645)	(60,979)
Benefit obligation at end of period	<u>\$ 4,444,981</u>	<u>\$ 4,776,211</u>
Change in plan assets at fair value:		
Plan assets at fair value at beginning of fiscal year	\$ 4,653,413	\$ 5,227,323
Actual return on assets	(1,291,561)	(419,912)
Benefits paid	(590,775)	(153,998)
Plan assets at fair value at end of fiscal year	<u>\$ 2,771,077</u>	<u>\$ 4,653,413</u>
Components of pension asset (liability):		
Funded status at the end of the year	<u>\$ (1,673,904)</u>	<u>\$ (122,798)</u>
Amounts recognized in unrestricted net assets:		
Accumulated (loss)	<u>\$ (2,354,610)</u>	<u>\$ (953,112)</u>
Amounts recognized in the consolidated statements of financial position consist of:		
Accrued pension benefits (liability)	<u>\$ (1,673,904)</u>	<u>\$ (122,798)</u>
Unrestricted net assets	<u>\$ (2,354,610)</u>	<u>\$ (953,112)</u>
Assumptions to determine benefit obligation:		
Discount rate	5.40%	6.20%
Assumptions to determine net periodic benefit cost:		
Discount rate	6.20%	6.25%
Expected return on assets	8.00%	8.50%

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 10 — BENEFIT PLANS (Continued)

	<u>2009</u>	<u>2008</u>
Components of net periodic pension expense (benefit):		
Interest cost	\$ 272,190	\$ 281,173
Expected return on assets	(341,389)	(426,367)
Amortization of unrecognized net loss	72,928	-
Amortization of settlement loss	145,879	-
Net periodic pension expense (benefit)	<u>\$ 149,608</u>	<u>\$ (145,194)</u>
Change in unamortized items:		
Net loss arising during period	\$ 1,620,305	\$ 785,300
Amortization of:		
(Loss)	<u>(218,807)</u>	<u>-</u>
Total changes recognized in unrestricted net assets	<u>\$ 1,401,498</u>	<u>\$ 785,300</u>
Total recognized in net periodic pension cost and unrestricted net assets	<u>\$ 1,551,106</u>	<u>\$ 640,106</u>
	Fiscal Year	
Expected effect in the unrestricted net assets next fiscal year:	2010	
Accumulated loss amortization	<u>\$ 293,412</u>	

At June 30, 2009 and 2008, accumulated benefit obligation was \$4,444,981 and \$4,776,211, respectively.

Plan Assets

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

	<u>2009</u>	<u>2008</u>
Domestic equity securities	0%	44%
Debt securities	100%	41%
International equity securities	<u>0%</u>	<u>15%</u>
	<u>100%</u>	<u>100%</u>

The University 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 2010.

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10 — BENEFIT PLANS (Continued)

Estimated Future Benefit Payments

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

2010	\$ 1,012,000
2011	428,000
2012	523,000
2013	392,000
2014	381,000
Year 2015 - 2019	1,538,000

- (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>2009</u>	<u>2008</u>
Change in benefit obligation:		
Benefit obligation at beginning of period	\$ 11,270,250	\$ 10,131,068
Service cost	992,654	1,000,706
Interest cost	769,556	650,503
Plan participants' contributions	184,141	173,386
Benefits paid	(660,961)	(513,590)
Amendments	(26,014)	278,558
Medicare Part D subsidy	78,204	44,124
Actuarial (gain) loss	(588,377)	(494,505)
Benefit obligation at end of period	<u>\$ 12,019,453</u>	<u>\$ 11,270,250</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ -	\$ -
Medicare part D subsidy	78,204	44,000
Employer Contributions	398,616	296,000
Plan participants contributions	184,141	173,000
Benefits paid	(660,961)	(513,000)
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status and amount recognized:		
Funded status at end of the year	<u>\$ (12,019,453)</u>	<u>\$ (11,270,250)</u>
Amounts recognized in unrestricted net assets:		
Prior service credit	<u>\$ 2,617,392</u>	<u>\$ 3,451,634</u>
Accumulated (loss)	<u>\$ (3,252,737)</u>	<u>\$ (4,302,772)</u>
Amounts recognized in the consolidated statements of financial position consist of:		
Accrued postretirement benefits (liability)	<u>\$ (12,019,453)</u>	<u>\$ (11,270,250)</u>
Unrestricted net assets	<u>\$ (635,345)</u>	<u>\$ (851,138)</u>

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 10 — BENEFIT PLANS (Continued)

	<u>2009</u>	<u>2008</u>
Assumptions to determine year end benefit obligation:		
Discount rate	6.70%	7.00%
Assumptions to determine net periodic benefit cost:		
Discount rate	7.00%	6.25%
Salary increase	5.00%	5.00%
Components of net periodic benefit cost:		
Service cost	\$ 992,654	\$ 1,000,706
Interest cost	769,556	650,503
Amortization of prior service credit	(860,256)	(872,470)
Amortization of actuarial losses	461,658	681,161
Net periodic benefit cost	<u>\$ 1,363,612</u>	<u>\$ 1,459,900</u>
Change in unamortized items:		
Prior service (credit) cost arising during period	\$ (26,014)	\$ 278,558
Net (gain) arising during period	(588,377)	(494,505)
Amortization of:		
Prior service credit	860,256	872,470
(Loss)	<u>(461,658)</u>	<u>(681,161)</u>
Total changes recognized in unrestricted net assets	<u>\$ (215,793)</u>	<u>\$ (24,638)</u>
Total recognized in net periodic pension cost and unrestricted net assets	<u>\$ 1,147,819</u>	<u>\$ 1,435,262</u>
Fiscal Year		
2010		
Expected effect in the unrestricted net assets next fiscal year:		
Accumulated loss amortization	\$ 313,749	
Prior service (credit) amortization	\$ (866,839)	

For measurement purposes, a 8%, 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 2010. These rates were assumed to decrease gradually to 4.5% by fiscal year 2030 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	\$ 235,851	\$ (197,569)
Effect on post retirement benefit obligation	1,385,705	(1,178,436)

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 10 — BENEFIT PLANS (Continued)

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>
2010	\$ 693,000	\$ (98,000)
2011	811,000	(110,000)
2012	883,000	(128,000)
2013	984,000	(140,000)
2014	1,136,000	(156,000)
Years 2015 - 2019	7,730,000	(1,149,000)

NOTE 11 — CONTINGENCIES

- a) 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.
- 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 \$763,000 invested in the Fund as of June 30, 2009. It is not expected that the University will suffer any losses or experience any operating difficulties as a result of this action.
- c) The University guarantees a bank loan to the Canton Day Care Center in the original amount of \$1,445,000 to construct a new facility. The loan agreement is dated September 18, 2008, and bears interest of prime plus 1% (4.25% at June 30, 2009). At June 30, 2009, the outstanding loan balance was \$1,045,000. It is not expected that the University will suffer any losses or experience any liabilities as a result of this guarantee.

NOTE 12 — 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 approximately \$136,000 at June 30, 2009 and 2008, which is included in accounts payable and accrued expenses in the consolidated statements of financial position.

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 12 — INSURED RISKS (Continued)

- b) The University is self-insured for medical insurance. It is the University's policy to reserve for actual claims and incurred but not reported claims and record this amount as an accrued liability based on claim history and management's estimate. This liability amounted to approximately \$639,000 and \$631,000 as of June 30, 2009 and 2008, respectively, and is recorded in accounts payable and accrued expenses in the consolidated statements of financial position. The University has stop loss coverage on individual claims in excess of \$125,000 and aggregate claims in excess of 125% of expected claims.

NOTE 13 — SUBSEQUENT EVENTS

On July 1, 2009, the University converted \$46,795,000 of New York State Dormitory Authority Series 2008 St. Lawrence University Revenue Bonds. The bonds have a fixed interest rate of 5% and the proceeds were used to advance refund bonds of the same name and amount which have variable interest rates. The bonds were sold at a premium of approximately \$2,600,000 which will be used to pay the interest on the bonds due in the upcoming year.

On July 1, 2009, the University converted \$56,850,000 of Series 2001A and Series 2005 St. Lawrence County Industrial Agency Civic Facility Revenue Bonds. The bonds bear a fixed rate of interest ranging from 3% to 5% and the proceeds were used to advance refund bonds of the same name and amount which have variable interest rates. The bonds were sold at a premium of approximately \$3,000,000 which will be used to pay the interest on the bonds due in the upcoming year.