

ST. LAWRENCE UNIVERSITY

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Years ended June 30, 2011 and 2010

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, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

UHY LLP

Albany, New York
September 30, 2011

ST. LAWRENCE UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 12,294,111	\$ 6,111,673
Deposits with trustees of debt obligations	1,434,971	4,436,371
Accounts receivable, net	3,811,012	3,526,825
Inventories	2,139,368	2,104,463
Prepaid expenses and other assets	2,661,421	2,336,821
Contributions receivable, net	16,293,614	18,323,823
Loans receivable, net	3,339,212	3,379,183
Investments	240,516,851	205,170,493
Funds held for deferred giving	9,958,878	9,318,816
Deferred financing costs, net	671,475	863,672
Land, building and equipment, net	<u>158,714,945</u>	<u>158,450,006</u>
Total assets	<u>\$ 451,835,858</u>	<u>\$ 414,022,146</u>
 LIABILITIES		
Accounts payable and accrued expenses	\$ 11,051,292	\$ 11,286,060
Deferred revenues	3,464,125	3,015,459
Conditional asset retirement obligations	3,948,361	3,883,811
Annuities and deferred giving obligations	4,777,875	4,611,251
Federal student loan funds	3,031,405	3,051,702
Accrued pension and postretirement benefits	4,937,284	18,152,769
Fair value of swap agreements	1,090,238	2,142,754
Debt obligations	<u>111,217,869</u>	<u>112,741,840</u>
Total liabilities	<u>\$ 143,518,449</u>	<u>\$ 158,885,646</u>
 NET ASSETS		
Unrestricted		
Board designated for endowment	58,117,691	104,523,006
Undesignated	<u>40,004,339</u>	<u>22,602,030</u>
	98,122,030	127,125,036
Temporarily restricted	98,208,294	20,322,660
Permanently restricted	<u>111,987,085</u>	<u>107,688,804</u>
Total net assets	<u>308,317,409</u>	<u>255,136,500</u>
Total liabilities and net assets	<u>\$ 451,835,858</u>	<u>\$ 414,022,146</u>

See notes to consolidated financial statements.

ST. LAWRENCE UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	2011			2010 Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
Operating Activities					
Tuition and fees	\$ 97,718,907	\$ -	\$ -	\$ 97,718,907	\$ 93,225,351
Room and board revenues	22,502,667	-	-	22,502,667	21,455,290
Less:					
Student financial aid-institutional	(44,639,055)	-	-	(44,639,055)	(40,448,188)
Student financial aid-government (SEOG)	(308,675)	-	-	(308,675)	(440,455)
Net student revenues	75,273,844	-	-	75,273,844	73,791,998
Auxiliary enterprises	8,094,186	-	-	8,094,186	8,371,871
Government grants	2,391,643	-	-	2,391,643	2,566,597
Private Gifts- annual	4,343,382	2,355,496	-	6,698,878	9,837,848
Private Gifts- nonrecurring	3,687,896	961,764	-	4,649,660	3,273,231
Endowment spending formula income	11,593,438	295,893	-	11,889,331	12,521,071
Investment income	166,139	-	-	166,139	67,554
Other	1,724,123	-	-	1,724,123	1,567,844
Total operating revenues	107,274,651	3,613,153	-	110,887,804	111,998,014
Net assets released from restrictions	3,773,008	(3,773,008)	-	-	-
Total operating revenues and net assets released from restrictions	111,047,659	(159,855)	-	110,887,804	111,998,014
Instruction	38,780,732	-	-	38,780,732	36,115,189
Research	94,506	-	-	94,506	305,796
Public service	1,854,768	-	-	1,854,768	2,174,966
Academic support	9,633,904	-	-	9,633,904	10,809,423
Student services	17,300,544	-	-	17,300,544	17,496,271
Institutional support	13,717,924	-	-	13,717,924	18,223,952
Auxiliary enterprises	22,878,064	-	-	22,878,064	24,003,063
Total operating expenses	104,260,442	-	-	104,260,442	109,128,660
Net operating activities	6,787,217	(159,855)	-	6,627,362	2,869,354
Nonoperating Activities					
Investment gain, net of spending formula	27,693,624	-	-	27,693,624	12,630,108
Realized and unrealized gain (loss) on interest rate swap agreements	540,989	-	-	540,989	(932,343)
Loss on refunded bonds	-	-	-	-	(2,149,324)
Contributions for long-term investment	-	-	3,536,376	3,536,376	3,381,084
Deferred giving net activity	-	1,228,079	435,862	1,663,941	1,333,014
Other	(69,770)	(323,753)	326,043	(67,480)	(140,909)
Net nonoperating activities	28,164,843	904,326	4,298,281	33,367,450	14,121,630
Change in net assets before pension/benefit related changes other than net periodic pension/benefit cost	34,952,060	744,471	4,298,281	39,994,812	16,990,984
Pension/benefit related changes other than net periodic pension/benefit cost	13,186,097	-	-	13,186,097	(3,315,061)
Change in net assets before reclassification	48,138,157	744,471	4,298,281	53,180,909	13,675,923
Net asset reclassification (Note 8)	(77,141,163)	77,141,163	-	-	-
Change in net assets	(29,003,006)	77,885,634	4,298,281	53,180,909	13,675,923
Net assets at beginning of year	127,125,036	20,322,660	107,688,804	255,136,500	241,460,577
Net assets at end of year	\$ 98,122,030	\$ 98,208,294	\$ 111,987,085	\$ 308,317,409	\$ 255,136,500

See notes to consolidated financial statements.

ST. LAWRENCE UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Activities				
Tuition and fees	\$ 93,225,351	\$ -	\$ -	\$ 93,225,351
Room and board revenues	21,455,290	-	-	21,455,290
Less:				
Student financial aid-institutional	(40,448,188)	-	-	(40,448,188)
Student financial aid-government (SEOG)	(440,455)	-	-	(440,455)
Net student revenues	73,791,998	-	-	73,791,998
Auxiliary enterprises	8,371,871	-	-	8,371,871
Government grants	2,566,597	-	-	2,566,597
Private Gifts- annual	6,310,939	3,526,909	-	9,837,848
Private Gifts- nonrecurring	3,066,997	206,234	-	3,273,231
Endowment spending formula income	11,969,796	551,275	-	12,521,071
Investment income	67,347	207	-	67,554
Other	1,567,844	-	-	1,567,844
Total operating revenues	107,713,389	4,284,625	-	111,998,014
Net assets released from restrictions	7,142,064	(7,142,064)	-	-
Total operating revenues and net assets released from restrictions	114,855,453	(2,857,439)	-	111,998,014
Instruction	36,115,189	-	-	36,115,189
Research	305,796	-	-	305,796
Public service	2,174,966	-	-	2,174,966
Academic support	10,809,423	-	-	10,809,423
Student services	17,496,271	-	-	17,496,271
Institutional support	18,223,952	-	-	18,223,952
Auxiliary enterprises	24,003,063	-	-	24,003,063
Total operating expenses	109,128,660	-	-	109,128,660
Net operating activities	5,726,793	(2,857,439)	-	2,869,354
Nonoperating Activities				
Investment gain, net of spending formula	12,630,108	-	-	12,630,108
Realized and unrealized loss on interest rate swap agreements	(932,343)	-	-	(932,343)
Loss on refunded bonds	(2,149,324)	-	-	(2,149,324)
Contributions for long-term investment	-	-	3,381,084	3,381,084
Deferred giving net activity	-	869,459	463,555	1,333,014
Other	(142,591)	(43,542)	45,224	(140,909)
Net nonoperating activities	9,405,850	825,917	3,889,863	14,121,630
Change in net assets before pension/benefit related changes other than net periodic pension/benefit cost	15,132,643	(2,031,522)	3,889,863	16,990,984
Pension/benefit related changes other than net periodic pension/benefit cost	(3,315,061)	-	-	(3,315,061)
Change in net assets	11,817,582	(2,031,522)	3,889,863	13,675,923
Net assets at beginning of year	115,307,454	22,354,182	103,798,941	241,460,577
Net assets at end of year	\$ 127,125,036	\$ 20,322,660	\$ 107,688,804	\$ 255,136,500

See notes to consolidated financial statements.

ST. LAWRENCE UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 53,180,909	\$ 13,675,923
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation, amortization and accretion	8,791,812	8,983,830
Realized and unrealized gain on investments	(39,517,798)	(25,179,440)
Contributions for long-term investments and assets	(7,224,272)	(6,448,081)
Change in value of deferred gifts	(473,438)	9,900
Realized and unrealized (gain) loss on interest rate swap agreements	(540,989)	932,343
Loss on refunded bonds	-	2,149,324
Changes in assets and liabilities:		
Accounts receivable, net	(284,187)	(1,564,503)
Inventories	(34,905)	69,459
Prepaid expenses and other assets	(324,600)	(8,269)
Contributions receivable, net	2,030,209	(907,809)
Accounts payable and accrued expenses	(1,119,325)	(555,588)
Deferred revenues	448,666	(106,105)
Accrued pension and postretirement benefits	(13,215,485)	4,459,412
Conditional asset retirement obligations	(191,198)	(306,702)
Net cash provided by (used in) operating activities	<u>1,525,399</u>	<u>(4,796,306)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of land, building and equipment	(7,300,543)	(11,154,962)
Proceeds from asset disposal	4,656	327,056
Proceeds from loan collections	499,142	490,665
Loans issued	(459,171)	(373,273)
Payment on swap agreement settlement	(511,526)	(2,278,295)
Purchases of investments	(27,978,088)	(43,817,779)
Proceeds from sales and maturities of investments	32,149,526	54,385,514
Net cash used in investing activities	<u>(3,596,004)</u>	<u>(2,421,074)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowing	333,803	5,682,045
Long-term debt proceeds transferred to bond trustees	(147,000)	(4,423,810)
Release of funds held by bond trustees	3,148,400	8,001,651
Contributions for long-term investments	3,536,376	4,252,784
Contributions for long-lived assets	3,562,904	3,397,112
Decrease in federal student loan funds	(20,297)	(35,877)
Payments on long-term debt	(2,161,143)	(3,555,327)
Financing costs paid	-	(988,761)
Net cash provided by financing activities	<u>8,253,043</u>	<u>12,329,817</u>
Net increase in cash and cash equivalents	6,182,438	5,112,437
Cash and cash equivalents at beginning of year	6,111,673	999,236
Cash and cash equivalents at end of year	<u>\$ 12,294,111</u>	<u>\$ 6,111,673</u>
SUPPLEMENTAL DISCLOSURES		
Interest expense paid	<u>\$ 5,042,654</u>	<u>\$ 3,176,105</u>
NON-CASH FINANCING ACTIVITIES		
Fixed assets acquired through accounts payable	<u>\$ 884,557</u>	<u>\$ 1,244,394</u>
Equipment acquired under capital lease agreements	<u>\$ 1,266,197</u>	<u>\$ 14,146</u>
Gifts in kind	<u>\$ 124,992</u>	<u>\$ 1,191,374</u>
Stock gifts	<u>\$ 4,437,935</u>	<u>\$ 4,309,968</u>

See notes to consolidated financial statements.

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011 and 2010

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 2,400 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 30, 2011, the date the financial statements were available for issuance.

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.

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>2011</u>	<u>2010</u>
Total LP revenues	\$ 3,452,288	\$ 3,527,834
Total LP expenses	<u>(3,505,751)</u>	<u>(3,458,741)</u>
(Expenses in excess of revenues) revenues in excess of expenses	<u>\$ (53,463)</u>	<u>\$ 69,093</u>

Total LP assets of \$3,321,028 and \$3,607,886 and total LP liabilities of \$2,893,316 and \$3,126,711 as of June 30, 2011 and 2010, respectively, are included in the consolidated statements of financial position.

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011 and 2010

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. At times, cash balances may exceed FDIC limits. Based on management's review of the strength of the financial institutions, management believes the risk of loss on these funds is minimal.

Inventories

Inventories are 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 \$3,660,000 and \$3,841,000 for the years ended June 30, 2011 and 2010, respectively.

Accounts and Loans Receivable

Accounts and loans receivable are reported net of provisions for doubtful accounts. The provision for doubtful accounts receivable approximated \$132,000 and \$107,000 at June 30, 2011 and 2010, respectively. The provision for doubtful loans receivable approximated \$560,000 and \$505,000 at June 30, 2011 and 2010, 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 \$1,435,000 and \$4,436,000 at June 30, 2011 and 2010, 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, 2011 and 2010

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Investment return is reported net of management and custodial fees of approximately \$2,681,000 and \$1,985,000 for 2011 and 2010, 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 statements 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 \$192,000 and \$193,000 for the years ended June 30, 2011 and 2010, respectively. Approximately \$2,149,000 of deferred financing costs were written off in the fiscal year ended June 30, 2010 when the Series 2001A and 2005 St. Lawrence County IDA bonds and the NYS Dormitory Authority Series 2008 Revenue bonds were converted.

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 incorporate a risk premium for the systematic risk inherent in the expected cash flows and are 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 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, 2011 and 2010

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 the guidance issued by the Financial Accounting Standards Board ("FASB"). The guidance 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 \$815,174 and \$925,629 as of June 30, 2011 and 2010, 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 \$1,131,085 and \$1,165,729 as of June 30, 2011 and 2010, 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, 2011 and 2010

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest Rate Swap Agreements

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. 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 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 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 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 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.

Internal Revenue Code Status

The University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes pursuant to Section 501(a) of the 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. In addition, income from certain activities not directly related to the University's tax-exempt purpose is subject to taxation as unrelated business income.

The primary income tax position taken by the University for any years open under the various statutes of limitations is that the University continues to be exempt from income taxes except for unrelated business income. The University believes that there are no uncertain tax positions that are material to the financial statements.

None of the University's returns are currently under examination by the Internal Revenue Service ("IRS") or state authorities. However, the University's federal Exempt Organization Business Income Tax Returns (Form 990T) for fiscal years 2008 and later are subject to examination by the IRS, generally for three years after they were filed.

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 2 — CONTRIBUTIONS RECEIVABLE

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

	<u>2011</u>	<u>2010</u>
Less than one year	\$ 3,005,270	\$ 3,598,386
One year to five years	2,948,995	5,086,070
Over five years	20,284,380	19,471,382
	<u>26,238,645</u>	<u>28,155,838</u>
Less: Present value discount (1.19% to 8.85%)	(12,606,692)	(12,983,504)
Less: Allowance for uncollectible amounts	-	-
	<u>13,631,953</u>	<u>15,172,334</u>
Charitable remainder trusts	2,661,661	3,151,489
	<u>16,293,614</u>	<u>18,323,823</u>

As of June 30, 2011, the University has received and not recognized conditional promises and bequests with a future value of approximately \$23,992,000.

NOTE 3 — TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Contributions and charitable remainder trusts receivable	\$ 10,492,251	\$ 12,316,922
Annuity and life income funds	4,255,839	3,205,365
Gifts and other unexpended revenues for capital projects	1,086,449	432,785
Gifts and other unexpended revenues for operations	5,232,592	4,367,588
Endowment earnings	77,141,163	-
	<u>98,208,294</u>	<u>20,322,660</u>

NOTE 4 — PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Contributions and charitable remainder trusts receivable	\$ 5,801,363	\$ 6,006,901
Annuity and life income funds	925,164	1,147,451
Loan funds	697,458	697,458
Donor restricted investments	104,563,100	99,836,994
	<u>111,987,085</u>	<u>107,688,804</u>

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NOTE 5 — LAND, BUILDINGS, AND EQUIPMENT

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

	<u>2011</u>	<u>2010</u>
Land	\$ 2,662,483	\$ 2,662,483
Land improvements	17,728,954	15,941,340
Buildings and improvements	221,699,561	211,099,603
Equipment, art and books	<u>52,725,551</u>	<u>48,832,956</u>
	294,816,549	278,536,382
Less: accumulated depreciation	<u>(136,653,310)</u>	<u>(127,459,204)</u>
	158,163,239	151,077,178
Construction in progress	<u>551,706</u>	<u>7,372,828</u>
	<u>\$ 158,714,945</u>	<u>\$ 158,450,006</u>

Depreciation expense for the years ended June 30, 2011 and 2010 was approximately \$9,307,000 and \$9,568,000, 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 \$1.7 million at June 30, 2011.

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.

The following table details the activity in the University's asset retirement obligation for 2011 and 2010:

	<u>2011</u>	<u>2010</u>
ARO, beginning of year	\$ 3,883,811	\$ 4,005,570
Add: Current year accretion	255,748	184,943
Less: Settled obligations	<u>(191,198)</u>	<u>(306,702)</u>
ARO, end of year	<u>\$ 3,948,361</u>	<u>\$ 3,883,811</u>

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NOTE 6 — INVESTMENTS

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

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents				
Cash and Cash Equivalents	\$ 6,686,761	\$ 6,686,761	\$ 11,362,301	\$ 11,362,301
Fixed Income				
Mutual Funds	11,821,595	12,643,534	10,830,663	11,935,233
Commingled Funds	20,148,616	20,805,995	18,189,419	18,722,892
Equities				
Common Stocks	9,352,317	18,885,290	9,168,797	14,818,699
Mutual Funds	14,750,268	26,157,834	18,169,922	24,688,254
Commingled Funds	48,506,677	75,041,031	39,318,327	52,732,557
Hedge Funds				
Long/Short Funds	24,505,672	26,716,032	28,000,000	26,377,818
Absolute Return Funds	27,255,296	34,363,397	26,351,441	29,791,617
Private Equity Funds				
Private Capital Funds	5,376,365	6,124,977	4,268,735	3,823,690
Private Real Estate Fund	2,000,915	1,716,288	1,940,915	963,336
Real Asset Funds				
Mutual Funds	4,258,696	5,664,839	4,088,582	4,248,231
Commingled Funds	198,064	1,348,483	948,064	1,362,670
Real Estate				
Real Estate	3,871,291	3,870,997	3,912,778	3,912,778
Other				
Cash Surrender Value of Life Insurance	491,393	491,393	430,417	430,417
	<u>\$ 179,223,926</u>	<u>\$ 240,516,851</u>	<u>\$ 176,980,361</u>	<u>\$ 205,170,493</u>

Certain investments are pooled on a fair 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 fair value of pooled assets for 2011 and 2010:

	2011				
	Fair Value	Cost	Unrealized Appreciation	Fair Value Per Unit	Number of Units
End of year	\$ 228,073,035	\$ 170,206,057	\$ 57,866,978	\$ 4,454.76	51,198
Beginning of year	194,078,385	168,048,768	26,029,617	\$ 3,722.23	52,140
Change in unrealized appreciation for the year			31,837,361		
Net realized gain for the year			4,919,664		
Net gain for the year			<u>\$ 36,757,025</u>		

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NOTE 6 — INVESTMENTS (Continued)

	2010				
	Fair Value	Cost	Unrealized Appreciation	Fair Value Per Unit	Number of Units
End of year	\$ 194,078,385	\$ 168,048,768	\$ 26,029,617	\$ 3,722.23	52,140
Beginning of year	177,634,526	165,457,683	<u>12,176,843</u>	\$ 3,287.32	54,036
Change in unrealized appreciation for the year			13,852,774		
Net realized gain for the year			<u>11,005,035</u>		
Net gain for the year			<u>\$ 24,857,809</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, 2011 and 2010, respectively.

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

	2011	2010
Dividends and interest	\$ 2,449,711	\$ 2,914,563
Net realized/unrealized gains	<u>37,299,383</u>	<u>22,304,170</u>
Total return on investments	39,749,094	25,218,733
Investment return designated for current operations	<u>12,055,470</u>	<u>12,588,625</u>
Investment return in excess of amounts designated for current operations	<u>\$ 27,693,624</u>	<u>\$ 12,630,108</u>

NOTE 7 — FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification 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 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;

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NOTE 7 — FAIR VALUE MEASUREMENTS (Continued)

- 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 and liabilities measured at fair value. There have been no changes in the methodologies used at June 30, 2011 and 2010.

Cash and Cash Equivalents: Valued at the closing price reported on the active market on which the individual securities are traded.

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

Fixed Income Commingled Fund: The fund generally invests in corporate and government debt securities. This fund is valued at the net asset value (NAV) of shares held by the University 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.

Common Stock: Consists primarily of investments in domestic publicly traded securities listed on a national exchange. They are valued at the closing price reported on the active market on which the individual securities are traded.

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

Equity Commingled Funds: The funds comprise primarily of marketable equity securities. The investment objective of the funds is to match the return of the Standard & Poor's 500 Index. These funds are valued at the net asset value (NAV) of shares held by the University 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.

Long/Short Hedge Funds: The funds seek to achieve above average returns primarily through investing and trading in securities of both domestic and foreign issuers. Additionally, the funds may engage in short sales and use this strategy to speculate, hedge or offset other long positions. These funds are valued at the net asset value (NAV) of shares held by the University 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.

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 7 — FAIR VALUE MEASUREMENTS (Continued)

Absolute Return Hedge Funds: The funds seek to achieve long term appreciation with limited correlation to general market indices and limited volatility. These funds are valued at the net asset value (NAV) of shares held by the University 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.

Private Equity Capital Funds: The funds invest primarily in common, preferred and debt securities issued by private entities. The fair values of the investments in this category have been determined by the General Partner of the funds using various inputs requiring significant judgments and estimates. These investments can never be redeemed with the funds. Instead, the nature of investments in this class is that distributions are received from liquidation of the underlying assets of the funds. As of June 30, 2011, it is probable that all of the investments in this class will be sold at an amount different from the NAV of the Entity's ownership interest in the partners' capital.

Private Equity Real Estate Fund: This fund invests primarily in real estate debt securities. The fair values of the investment in this category have been determined by the General Partner of the fund using various inputs requiring significant judgments and estimates. This investment can never be redeemed with the fund. Instead, the nature of investments in this class is that distributions are received from liquidation of the underlying assets of the fund. As of June 30, 2011, it is probable that all of the investments in this class will be sold at an amount different from the NAV of the Entity's ownership interest in the partners' capital.

Real Asset Mutual Funds: Valued at the closing price reported on the active market on which the individual securities are traded. These mutual funds are primarily invested in energy and precious metals.

Real Asset Commingled Funds: The fund is comprised primarily of marketable equity securities investment primarily in the energy industry. This fund is valued at the net asset value (NAV) of shares held by the University 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.

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.

Cash Surrender Value of Life Insurance: Cash Surrender Value of Life Insurance is valued based on the face amount of the contract discounted at a specific rate of interest according to the insured's life expectancy.

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.

Common Trust Funds: The fair value of common trust funds is estimated using a pricing model that includes recently executed transactions and relevant market price quotations.

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NOTE 7 — FAIR VALUE MEASUREMENTS (Continued)

U.S. Treasuries: Valued at the closing price reported on the active market in 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.

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, 2011:

<u>Investments</u>	<i>Assets at Fair Value</i>			Total
	Level 1	Level 2	Level 3	
Cash and Cash Equivalents				
Cash and Cash Equivalents	\$ 6,710,411	\$ -	\$ -	\$ 6,710,411
Fixed Income				
Mutual Funds	12,643,534	-	-	12,643,534
Commingled Funds	20,782,345	-	-	20,782,345
Equities				
Common Stocks	17,946,471	-	-	17,946,471
Mutual Funds	26,157,834	-	-	26,157,834
Commingled Funds	-	71,615,823	4,364,027	75,979,850
Hedge Funds				
Long/Short Funds	-	16,229,394	10,486,638	26,716,032
Absolute Return Funds	-	10,254,804	24,108,593	34,363,397
Private Equity Funds				
Private Capital Funds	-	-	6,124,977	6,124,977
Private Real Estate Fund	-	-	1,716,288	1,716,288
Real Asset Funds				
Mutual Funds	5,664,839	-	-	5,664,839
Commingled Funds	-	1,348,483	-	1,348,483
Real Estate				
Real Estate	-	-	3,870,997	3,870,997
Other				
Cash Surrender Value of Life Insurance	-	-	491,393	491,393
Total Investments	\$ 89,905,434	\$ 99,448,504	\$ 51,162,913	\$ 240,516,851

Continued...

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 7 — FAIR VALUE MEASUREMENTS (Continued)

Contributions Receivable - Charitable

Remainder Trusts

	<i>Assets at Fair Value</i>			
	Level 1	Level 2	Level 3	Total
Charitable Remainder Trusts	\$ -	\$ -	\$ 2,661,661	\$ 2,661,661
Total Charitable Remainder Trusts	\$ -	\$ -	\$ 2,661,661	\$ 2,661,661

Funds Held for Deferred Giving

	<i>Assets at Fair Value</i>			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents				
Cash and Cash Equivalents	\$ 198,862	\$ -	\$ -	\$ 198,862
Fixed Income				
Mutual Funds	728,045	-	-	728,045
Common Trust Funds	-	2,965,111	-	2,965,111
Equities				
Mutual Funds	3,523,008	-	-	3,523,008
Common Trust Funds	-	1,627,513	-	1,627,513
Other				
Real Estate	-	-	916,339	916,339
Total Funds Held for Deferred Giving	\$ 4,449,915	\$ 4,592,624	\$ 916,339	\$ 9,958,878

Deposits with Bond Trustees

	<i>Assets at Fair Value</i>			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents				
Cash and Cash Equivalents	\$ 1,326,997	\$ -	\$ -	\$ 1,326,997
Fixed Income				
U.S. Treasuries	107,974	-	-	107,974
Total Deposits with Bond Trustees	\$ 1,434,971	\$ -	\$ -	\$ 1,434,971
Total Assets at Fair Value	\$ 95,790,320	\$ 104,041,128	\$ 54,740,913	\$ 254,572,361

Interest Rate Swap Agreements

	<i>Liabilities at Fair Value</i>			
	Level 1	Level 2	Level 3	Total
Interest Rate Swap Agreements	\$ -	\$ (1,090,238)	\$ -	\$ (1,090,238)
Total Interest Rate Swap Agreements	\$ -	\$ (1,090,238)	\$ -	\$ (1,090,238)

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

The following presents the College's investments by fair value hierarchy and investment type at June 30, 2010:

<u>Investments</u>	<i>Assets at Fair Value</i>			Total
	Level 1	Level 2	Level 3	
Cash and Cash Equivalents				
Cash and Cash Equivalents	\$ 11,362,301	\$ -	\$ -	\$ 11,362,301
Fixed Income				
Mutual Funds	11,935,233	-	-	11,935,233
Commingled Funds	18,722,892	-	-	18,722,892
Equities				
Common Stocks	14,818,699	-	-	14,818,699
Mutual Funds	24,688,254	-	-	24,688,254
Commingled Funds	-	48,472,895	4,259,662	52,732,557
Hedge Funds				
Long/Short Funds	-	22,214,905	4,162,913	26,377,818
Absolute Return Funds	-	4,636,162	25,155,455	29,791,617
Private Equity Funds				
Private Capital Funds	-	-	3,823,690	3,823,690
Private Real Estate Fund	-	-	963,336	963,336
Real Asset Funds				
Mutual Funds	4,248,231	-	-	4,248,231
Commingled Funds	-	1,362,670	-	1,362,670
Real Estate				
Real Estate	-	-	3,912,778	3,912,778
Other				
Cash Surrender Value of Life Insurance	-	-	430,417	430,417
Total Investments	\$ 85,775,610	\$ 76,686,632	\$ 42,708,251	\$ 205,170,493

Contributions Receivable - Charitable

Remainder Trusts

	<i>Assets at Fair Value</i>			Total
	Level 1	Level 2	Level 3	
Charitable Remainder Trusts				
	\$ -	\$ -	\$ 3,151,489	\$ 3,151,489
Total Charitable Remainder Trusts	\$ -	\$ -	\$ 3,151,489	\$ 3,151,489

Continued...

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 — FAIR VALUE MEASUREMENTS (Continued)

<u>Funds Held for Deferred Giving</u>	<i>Assets at Fair Value</i>			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents				
Cash and Cash Equivalents	\$ 124,885	\$ -	\$ -	\$ 124,885
Fixed Income				
Mutual Funds	842,451	-	-	842,451
Common Trust Funds		2,677,332		2,677,332
Equities				
Mutual Funds	3,280,797	-	-	3,280,797
Common Trust Funds	-	1,455,172	-	1,455,172
Other				
Real Estate	-	-	938,179	938,179
Total Funds Held for Deferred Giving	\$ 4,248,133	\$ 4,132,504	\$ 938,179	\$ 9,318,816

<u>Deposits with Bond Trustees</u>	<i>Assets at Fair Value</i>			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents				
Cash and Cash Equivalents	\$ 274,211	\$ -	\$ -	\$ 274,211
Fixed Income				
U.S. Treasuries	4,162,160	-	-	4,162,160
Total Deposits with Bond Trustees	\$ 4,436,371	\$ -	\$ -	\$ 4,436,371
Total Assets at Fair Value	\$ 94,460,114	\$ 80,819,136	\$ 46,797,919	\$ 222,077,169

<u>Interest Rate Swap Agreements</u>	<i>Liabilities at Fair Value</i>			
	Level 1	Level 2	Level 3	Total
Interest Rate Swap Agreements	\$ -	\$ (2,142,754)	\$ -	\$ (2,142,754)
Total Interest Rate Swap Agreements	\$ -	\$ (2,142,754)	\$ -	\$ (2,142,754)

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 for the year ended June 30, 2011.

	<u>Investments</u>	<u>Charitable Remainder Trusts</u>	<u>Funds Held for Deferred Giving</u>
Balance at July 1, 2010	\$ 42,708,251	\$ 3,151,489	\$ 938,179
Total gains or losses (realized and unrealized) included in non-operating activities	8,086,885	501,967	-
Purchases, sales, gifts, issuances and settlements	367,777	(991,795)	(21,840)
Balance at June 30, 2011	\$ 51,162,913	\$ 2,661,661	\$ 916,339

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NOTE 7 — FAIR VALUE MEASUREMENTS (Continued)

Level 3 Gains and Losses (Continued)

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, 2010.

	<u>Investments</u>	<u>Charitable Remainder Trusts</u>	<u>Funds Held for Deferred Giving</u>	<u>Interest Rate Swap Agreements</u>
Balance at July 1, 2009	\$ 31,339,473	\$ 2,611,944	\$ 911,391	\$ (3,488,706)
Total gains or losses (realized and unrealized) included in non-operating activities	5,268,456	805,602	-	(932,343)
Purchases, sales, gifts, issuances and settlements	(3,423,342)	(266,057)	26,788	2,278,295
Transfers from level 2 to level 3	14,337,268	-	-	-
Transfers from level 3 to level 2	(4,813,604)	-	-	2,142,754
Balance at June 30, 2010	<u>\$ 42,708,251</u>	<u>\$ 3,151,489</u>	<u>\$ 938,179</u>	<u>\$ -</u>

Nature and Risk of Certain Investments

The nature and risk of certain investments by major category are presented as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Provisions</u>	<u>Expected Liquidation Terms</u>
Fixed Income Commingled Fund	\$ 20,782,345	\$ -	100% with 1 day notice	N/A
Equity Commingled Funds	75,979,850	-	varies from 100% monthly with 6 days notice to 100% semi-annually with 15 days notice	N/A
Long/Short Hedge Funds	26,716,032	-	varies from 100% quarterly with 30 days notice to no redemption period	N/A
Absolute Return Hedge Funds	34,363,397	-	varies from 100% quarterly with 60 days notice to no redemption period	N/A
Private Capital Fund	6,124,977	3,850,308	no redemption permitted	4 to 11 years
Private Real Estate Fund	1,716,288	-	no redemption permitted	6 to 8 years
Real Asset Commingled Fund	1,348,483	-	varies from 100% monthly with 5 days notice to 100% monthly with 60 days notice	N/A
	<u>\$ 167,031,372</u>	<u>\$ 3,850,308</u>		

NOTE 8 — ENDOWMENT

FASB Accounting Standards Codification provides guidance regarding 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8 — ENDOWMENT (Continued)

For the year ended June 30, 2010, the University was subject to the Uniform Management of Institutional Funds Act ("UMIFA"). In 1978, the State of New York enacted UMIFA, providing not-for-profit organizations 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 College will temporarily fund from Unrestricted Net Assets to Permanently Restricted Net Assets the amount to fulfill this requirement. For the period ended June 30, 2010, approximately \$1,739,000 was funded from Unrestricted Net Assets to Permanently Restricted Net Assets.

On September 17, 2010, the State of New York adopted a version of the Uniform Prudent Management of Institutional Funds Act ("NYPMIFA"). The University has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor instructions to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Trustees in a manner consistent with the standard of prudence prescribed by NYPMIFA. From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or NYPMIFA requires the College to retain as a fund of perpetual duration. In accordance with US GAAP, deficiencies of this nature are reported in unrestricted net assets. Deficiencies would result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions and continued appropriation as deemed prudent by the University. As of June 30, 2011, approximately \$25,000 was funded from Unrestricted Net Assets to Permanently Restricted 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 statements 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
June 30, 2011 and 2010

NOTE 8 — ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of June 30, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ -	\$ 77,141,163	\$ 104,563,100	\$ 181,704,263
Board-designated funds	58,117,691	-	-	58,117,691
Total funds	<u>\$ 58,117,691</u>	<u>\$ 77,141,163</u>	<u>\$ 104,563,100</u>	<u>\$ 239,821,954</u>

Endowment net asset composition by type of fund as of June 30, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ -	\$ -	\$ 99,836,994	\$ 99,836,994
Board-designated funds	104,523,006	-	-	104,523,006
Total funds	<u>\$ 104,523,006</u>	<u>\$ -</u>	<u>\$ 99,836,994</u>	<u>\$ 204,360,000</u>

Changes in endowment net assets for the fiscal year ended June 30, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 104,523,006	\$ -	\$ 99,836,994	\$ 204,360,000
Contributions	151,566	-	4,011,909	4,163,475
Transfer from other funds	2,221,930	-	714,197	2,936,127
Net appreciation	38,830,812	-	-	38,830,812
Amount appropriated for expenditure	(10,468,460)	-	-	(10,468,460)
Net assets reclassification for adoption of NYPMIFA	<u>(77,141,163)</u>	<u>77,141,163</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 58,117,691</u>	<u>\$ 77,141,163</u>	<u>\$ 104,563,100</u>	<u>\$ 239,821,954</u>

Changes in endowment net assets for the fiscal year ended June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 92,460,966	\$ -	\$ 95,700,034	\$ 188,161,000
Contributions	363,398	-	3,697,256	4,060,654
Transfer from other funds	-	-	439,704	439,704
Net appreciation	25,031,494	-	-	25,031,494
Amounts appropriated for expenditure	<u>(13,332,852)</u>	<u>-</u>	<u>-</u>	<u>(13,332,852)</u>
Endowment net assets, end of year	<u>\$ 104,523,006</u>	<u>\$ -</u>	<u>\$ 99,836,994</u>	<u>\$ 204,360,000</u>

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 9 — DEBT OBLIGATIONS

Debt obligations outstanding at June 30 are as follows:

	<u>2011</u>	<u>2010</u>
University:		
Capital lease obligation (a)	\$ 2,752,829	\$ 2,064,035
St. Lawrence County Industrial Development Agency Civic Facility Revenue Bonds		
1996 Series (b)	745,000	1,085,000
2001A Series (c)	41,400,000	41,400,000
2005 Series (d)	14,650,000	15,450,000
New York State Dormitory Authority Bonds		
2008 Series (e)	<u>46,795,000</u>	<u>46,795,000</u>
Total University obligations	106,342,829	106,794,035
LP		
Term loan (f)	<u>1,118,550</u>	<u>1,228,588</u>
Total debt obligations outstanding	107,461,379	108,022,623
Unamortized premium and discount	<u>3,756,490</u>	<u>4,719,217</u>
Total debt obligations outstanding, net of unamortized premium and discount	<u>\$ 111,217,869</u>	<u>\$ 112,741,840</u>

- a) The University entered into capital lease obligations for computer and laundry equipment. The original amount of all the capital lease obligations was \$5,365,966 and they bear interest at rates ranging from 0.67% to 4.78%. The leases require periodic payments ranging between \$16,921 and \$43,369, 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 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. On July 1, 2009, the bonds were converted to fixed rate bonds. 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. The bonds are reported in the statements of financial position net of unamortized premium of approximately \$2,274,000 and \$2,728,000 at June 30, 2011 and 2010, respectively. The premium on the bonds is being amortized to

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 9 — DEBT OBLIGATIONS (Continued)

reduce interest expense over the lives of the bonds. Imputed reduction on interest expense of \$455,000 was reported in the accompanying statements of activities for the years ended June 30, 2011 and 2010.

- d) 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. On July 1, 2009, the bonds were converted to fixed rate bonds. 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. The bonds are reported in the statements of financial position net of unamortized discount of approximately \$104,000 and \$125,000 at June 30, 2011 and 2010, respectively. The discount on the bonds is being amortized to interest expense over the lives of the bonds. Imputed interest expense of \$21,000 was reported in the accompanying statements of activities for the years ended June 30, 2011 and 2010.
- e) 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 issued by RBS Citizens, National Association. 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 ended June 30, 2010 and increase over time to 75% for the fiscal year ending 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. The bonds are reported in the statements of financial position net of unamortized premium of approximately \$1,587,000 and \$2,116,000 at June 30, 2011 and 2010, respectively. The premium on the bonds is being amortized to reduce interest expense over the lives of the bonds. Imputed reduction on interest expense of \$529,000 was reported in the accompanying statements of activities for the years ended June 30, 2011 and 2010.

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 9 — DEBT OBLIGATIONS (Continued)

- f) 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 (0.84% at June 30, 2011). 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, 2011 is approximately \$114,984,000 based on rates currently available to the University for debt with similar terms and remaining maturities.

At June 30, 2011, annual principal requirements, including sinking fund deposits, are as follows:

2012	\$ 2,417,270
2013	1,711,470
2014	1,851,969
2015	49,974,537
2016	1,263,918
Thereafter	<u>50,242,215</u>
	<u><u>\$ 107,461,379</u></u>

Interest expense, net of amortization of bond premiums and discounts, was approximately \$4,058,000 and \$3,894,000 for the years ended June 30, 2011 and 2010, 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 the consolidated statements of activities. The initial 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. In 2010, the University terminated 50% of the swap with a cash payment of \$984,275. The fair value of this swap agreement was approximately \$(894,000) and \$(1,946,000) at June 30, 2011 and 2010, respectively. Corresponding changes in the fair value of this swap agreement are recorded in realized and unrealized loss on interest rate swap agreements in the consolidated statements of activities.

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 9 — 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 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 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, 2011 and 2010, the notional amount of the swap was \$1,500,000. The fair value of this swap agreement was approximately \$(196,000) at June 30, 2011 and 2010. Corresponding changes in the fair value of this swap agreement are recorded in realized and unrealized loss on interest rate swap agreements in the consolidated statements 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, 2011 and 2010.

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") and Fidelity Management Trust Company ("Fidelity"). The University accrues the costs of these defined contribution plans currently. The University's contribution under these plans was approximately \$3,566,082 and \$3,662,000 in 2011 and 2010, respectively.

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011 and 2010

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>2011</u>	<u>2010</u>
Change in benefit obligation:		
Benefit obligation at beginning of period	\$ 4,255,221	\$ 4,444,981
Interest cost	148,168	212,697
Special termination benefits	-	78,782
Settlements	(285,933)	-
Benefits paid	(113,028)	(337,495)
Actuarial gains	(250,247)	(143,744)
	<u>\$ 3,754,181</u>	<u>\$ 4,255,221</u>
Change in plan assets at fair value:		
Plan assets at fair value at beginning of fiscal year	\$ 2,501,969	\$ 2,771,077
Actual return on assets	336,389	68,387
Employer Contributions	132,654	-
Settlements	(285,933)	-
Benefits paid	(113,028)	(337,495)
	<u>\$ 2,572,051</u>	<u>\$ 2,501,969</u>
Components of pension asset (liability):		
Funded status at the end of the year	<u>\$ (1,182,130)</u>	<u>\$ (1,753,252)</u>
Amounts recognized in unrestricted net assets:		
Accumulated loss	<u>\$ (1,249,238)</u>	<u>\$ (2,030,262)</u>
Amounts recognized in the consolidated statements of financial position consist of:		
Accrued pension benefits (liability)	<u>\$ (1,182,130)</u>	<u>\$ (1,753,252)</u>
Unrestricted net assets	<u>\$ (1,249,238)</u>	<u>\$ (2,030,262)</u>
Assumptions to determine benefit obligation:		
Discount rate	3.50%	3.80%
Assumptions to determine net periodic benefit cost:		
Discount rate	3.80%	5.40%
Expected return on assets	7.00%	8.00%

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 10 — BENEFIT PLANS (Continued)

	<u>2011</u>	<u>2010</u>
Components of net periodic pension expense:		
Interest cost	\$ 148,168	\$ 212,697
Expected return on assets	(153,072)	(181,195)
Amortization of unrecognized net loss	252,318	293,412
Settlement loss	95,142	-
Special termination benefits	-	78,782
Net periodic pension expense	<u>\$ 342,556</u>	<u>\$ 403,696</u>
Change in unamortized items:		
Net gain arising during period	\$ (433,564)	\$ (30,936)
Amortization of loss:	(252,318)	(293,412)
Settlements:	<u>(95,142)</u>	<u>-</u>
Total changes recognized in unrestricted net assets	<u>\$ (781,024)</u>	<u>\$ (324,348)</u>
Total recognized in net periodic pension cost and unrestricted net assets	<u>\$ (438,468)</u>	<u>\$ 79,348</u>
	<u>Fiscal Year</u>	
	<u>2012</u>	
Expected effect in the unrestricted net assets next fiscal year:		
Accumulated loss amortization	\$ 149,883	

At June 30, 2011 and 2010, accumulated benefit obligation was \$3,754,181 and \$4,255,221, respectively.

Plan Assets

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

	<u>2011</u>	<u>2010</u>
Domestic equity securities	38%	38%
Fixed income securities	<u>62%</u>	<u>62%</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 \$46,800 contributions to the plan in 2011.

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 10 — BENEFIT PLANS (Continued)

Estimated Future Benefit Payments

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

2012	\$ 620,000
2013	316,000
2014	342,000
2015	468,000
2016	440,000
Year 2017 - 2021	938,000

- (c) Previously, the University also provided health and life insurance benefits for eligible retired employees and their dependents. Effective January 1, 2011, all nonunion retirees (current and future) under age 65 formerly in the self-insured plan administered by POMCO become covered by Excellus Healthy Blue, a fully insured, experience-rated plan. All nonunion retirees (current and future) over age 65 will be no longer covered by the University's health plan, and have the option of enrolling in a Medicare Advantage Plan. This plan change decreased the accumulated benefit obligation by \$13.6 million. The measurement date of the plan is June 30 and information with respect to this plan is as follows:

	<u>2011</u>	<u>2010</u>
Change in benefit obligation:		
Benefit obligation at beginning of period	\$ 16,399,517	\$ 12,019,453
Service cost	871,541	942,862
Interest cost	525,130	785,368
Plan participants' contributions	164,548	213,334
Benefits paid	(813,321)	(866,485)
Amendments	(13,622,421)	-
Special termination benefits	183,098	162,933
Medicare Part D subsidy	90,478	55,733
Actuarial (gain) loss	(43,416)	3,086,319
	<u>\$ 3,755,154</u>	<u>\$ 16,399,517</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ -	\$ -
Medicare part D subsidy	90,478	55,733
Employer Contributions	558,295	597,418
Plan participants contributions	164,548	213,334
Benefits paid	(813,321)	(866,485)
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>\$ (3,755,154)</u>	<u>\$ (16,399,517)</u>
Amounts recognized in unrestricted net assets:		
Prior service credit	<u>\$ 13,355,874</u>	<u>\$ 1,750,553</u>
Accumulated (loss)	<u>\$ (5,225,555)</u>	<u>\$ (6,025,307)</u>
Amounts recognized in the consolidated statements of financial position consist of:		
Accrued postretirement benefits (liability)	<u>\$ (3,755,154)</u>	<u>\$ (16,399,517)</u>
Unrestricted net assets	<u>\$ 8,130,319</u>	<u>\$ (4,274,754)</u>

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 10 — BENEFIT PLANS (Continued)

	<u>2011</u>	<u>2010</u>
Assumptions to determine year end benefit obligation:		
Discount rate	4.40%	5.40%
Assumptions to determine net periodic benefit cost:		
Discount rate	5.40%/4.33%	6.70%
Salary increase	5.00%	5.00%
Components of net periodic benefit cost:		
Service cost	\$ 871,541	\$ 942,862
Interest cost	525,130	785,368
Amortization of prior service credit	(2,017,100)	(866,839)
Amortization of actuarial losses	756,336	313,749
Special termination benefits	183,098	162,933
Net periodic benefit cost	<u>\$ 319,005</u>	<u>\$ 1,338,073</u>
Change in unamortized items:		
Prior service credit arising during period	\$ (13,622,421)	\$ -
Net (gain) loss arising during period	(43,416)	3,086,319
Amortization of:		
Prior service credit	2,017,100	866,839
(Loss)	(756,336)	(313,749)
Total changes recognized in unrestricted net assets	<u>\$ (12,405,073)</u>	<u>\$ 3,639,409</u>
Total recognized in net periodic pension cost and unrestricted net assets	<u>\$ (12,086,068)</u>	<u>\$ 4,977,482</u>
Fiscal Year		
2012		
Expected effect in the unrestricted net assets next fiscal year:		
Accumulated loss amortization	\$ 732,988	
Prior service (credit) amortization	\$ (3,167,360)	

For measurement purposes, a 7.84%, 6.98% and 9.53% 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 2011. 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	\$ 178,343	\$ (134,525)
Effect on post retirement benefit obligation	197,749	(138,478)

ST. LAWRENCE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011 and 2010

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>
2012	\$ 364,000
2013	402,000
2014	473,000
2015	487,000
2016	534,000
Years 2017 - 2021	3,149,000

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) 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, 2011). The outstanding loan balance was \$1,045,000 at June 30, 2011. 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 \$172,000 and \$168,000 at June 30, 2011 and 2010, respectively, which is included in accounts payable and accrued expenses in the consolidated statements of financial position.
- b) Effective January 1, 2011, the University utilizes a third party insurance provider for medical insurance. Prior to January 1, 2011, the University was self-insured for medical insurance and drug coverage. 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 claims history and management's estimate. This liability amounted to approximately \$82,000 and \$434,000 as of June 30, 2011 and 2010, respectively, and is recorded in accounts payable and accrued expenses in the consolidated statements of financial position.