

**St. Lawrence University**  
**Consolidated Financial Statements**  
**June 30, 2007 and 2006**

**Report of Independent Auditors**

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

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of activities and of cash flows present fairly, in all material respects, the consolidated financial position of St. Lawrence University, ("the University") at June 30, 2007 and 2006, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the University adopted Statement of Financial Accounting Standards No. 158, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans* in 2007 and the University adopted Financial Accounting Standards Board Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations, an Interpretation of Financial Accounting Standards Board Statement No. 143* in 2006.



October 1, 2007

**St. Lawrence University**  
**Consolidated Statements of Financial Position**  
**June 30, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 4,067,134	\$ 12,330,995
Deposits with trustees of debt obligations	1,500,000	1,903,310
Investment receivable	6,525,000	-
Accounts receivable, net	2,463,552	1,167,880
Accrued investment income	138,173	194,178
Inventories	1,828,500	1,737,448
Prepaid expenses and other assets	3,813,276	3,439,427
Contributions receivable	22,530,238	23,621,226
Loans receivable, net	3,168,842	3,172,716
Fair value of swap assets	1,780,000	985,972
Investments, at fair value	263,150,681	230,748,209
Funds held for deferred giving	14,112,403	13,007,170
Land, building and equipment, net	151,568,623	136,781,243
Deferred financing costs	2,838,639	2,972,256
Total assets	<u>\$ 479,485,061</u>	<u>\$ 432,062,030</u>
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 11,713,328	\$ 13,515,331
Deposits and deferred revenues	2,937,185	2,776,586
Annuities and deferred giving obligations	7,095,549	6,643,652
Federal student loan funds	3,048,012	3,170,565
Accrued pension and postretirement benefits	10,131,068	9,377,367
Debt obligations	101,650,997	101,605,908
Conditional asset retirement obligations	4,245,837	4,233,030
Total liabilities	140,821,976	141,322,439
<b>Net assets</b>		
Unrestricted	216,012,877	173,194,862
Temporarily restricted	28,050,783	27,715,025
Permanently restricted	94,599,425	89,829,704
Total net assets	<u>338,663,085</u>	<u>290,739,591</u>
Total liabilities and net assets	<u>\$ 479,485,061</u>	<u>\$ 432,062,030</u>

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

**St. Lawrence University**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2007**  
**(with comparative totals for the year ended June 30, 2006)**

	2007			Total	2006 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Operating activities</b>					
Tuition and fees	\$ 75,785,522	\$ -	\$ -	\$ 75,785,522	\$ 70,560,546
Room and board revenues	17,078,126	-	-	17,078,126	16,075,888
Less:					
Student financial aid-institutional	(32,048,541)	-	-	(32,048,541)	(29,523,724)
Student financial aid-government SEOG	(433,872)	-	-	(433,872)	(445,653)
Net student revenues	60,381,235	-	-	60,381,235	56,667,057
Auxiliary enterprises	8,635,132	-	-	8,635,132	8,167,893
Government grants	6,854,942	-	-	6,854,942	2,523,508
Private gifts-annual	7,293,748	5,850,139	-	13,143,887	11,691,158
Private gifts-nonrecurring	3,361,135	715,992	-	4,077,127	2,932,431
Endowment spending formula income	10,500,256	565,563	-	11,065,819	9,908,384
Investment income	683,432	34,687	-	718,119	501,207
Other	1,241,396	3,308	-	1,244,704	1,306,252
Restrictions released	7,140,113	(7,140,113)	-	-	-
Total operating revenues	106,091,389	29,576	-	106,120,965	93,697,890
Instruction	31,423,679	-	-	31,423,679	30,389,836
Research	253,703	-	-	253,703	422,452
Public service	1,848,090	-	-	1,848,090	1,806,133
Academic support	8,678,479	-	-	8,678,479	8,937,541
Student services	16,121,174	-	-	16,121,174	16,049,951
Institutional support	15,718,305	-	-	15,718,305	14,240,851
Auxiliary enterprises	22,460,988	-	-	22,460,988	22,218,328
Total operating expenses	96,504,418	-	-	96,504,418	94,065,092
Net operating activities	9,586,971	29,576	-	9,616,547	(367,202)
<b>Nonoperating activities</b>					
Total investment return, net of spending formula	32,892,686	338,489	187,145	33,418,320	13,687,812
Change in fair value of swap assets	822,980	-	-	822,980	985,972
Contributions for long-term investment	-	-	4,262,553	4,262,553	4,683,269
Deferred giving net activity	-	249,901	48,934	298,835	51,361
Other	558,966	(282,208)	271,089	547,847	(100,886)
Net nonoperating activities	34,274,632	306,182	4,769,721	39,350,535	19,307,528
Increase in net assets, before changes in accounting principles and minimum pension liability adjustment	43,861,603	335,758	4,769,721	48,967,082	18,940,326
Changes in accounting principles	(1,043,588)	-	-	(1,043,588)	(4,187,301)
Increase in net assets, before minimum pension liability adjustment	42,818,015	335,758	4,769,721	47,923,494	14,753,025
Decrease in minimum pension liability	-	-	-	-	815,661
Increase in net assets	42,818,015	335,758	4,769,721	47,923,494	15,568,686
Net assets at beginning of year	173,194,862	27,715,025	89,829,704	290,739,591	275,170,905
Net assets at end of year	\$ 216,012,877	\$ 28,050,783	\$ 94,599,425	\$ 338,663,085	\$ 290,739,591

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

**St. Lawrence University**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2006**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating activities</b>				
Tuition and fees	\$ 70,560,546	\$ -	\$ -	\$ 70,560,546
Room and board revenues	16,075,888	-	-	16,075,888
Less:				
Student financial aid-institutional	(29,523,724)	-	-	(29,523,724)
Student financial aid-government SEOG	(445,653)	-	-	(445,653)
Net student revenues	<u>56,667,057</u>	<u>-</u>	<u>-</u>	<u>56,667,057</u>
Auxiliary enterprises	8,167,893	-	-	8,167,893
Government grants	2,523,508	-	-	2,523,508
Private gifts-annual	7,149,737	4,541,421	-	11,691,158
Private gifts-nonrecurring	1,840,974	1,091,457	-	2,932,431
Endowment spending formula income	9,406,978	501,406	-	9,908,384
Investment income	464,405	36,802	-	501,207
Other	1,296,966	9,286	-	1,306,252
Restrictions released	<u>10,328,493</u>	<u>(10,328,493)</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>97,846,011</u>	<u>(4,148,121)</u>	<u>-</u>	<u>93,697,890</u>
Instruction	30,389,836	-	-	30,389,836
Research	422,452	-	-	422,452
Public service	1,806,133	-	-	1,806,133
Academic support	8,937,541	-	-	8,937,541
Student services	16,049,951	-	-	16,049,951
Institutional support	14,240,851	-	-	14,240,851
Auxiliary enterprises	<u>22,218,328</u>	<u>-</u>	<u>-</u>	<u>22,218,328</u>
Total operating expenses	<u>94,065,092</u>	<u>-</u>	<u>-</u>	<u>94,065,092</u>
Net operating activities	<u>3,780,919</u>	<u>(4,148,121)</u>	<u>-</u>	<u>(367,202)</u>
<b>Nonoperating activities</b>				
Total investment return, net of spending formula	13,532,820	98,738	56,254	13,687,812
Change in fair value of swap asset	985,972	-	-	985,972
Contributions for long-term investment	-	-	4,683,269	4,683,269
Deferred giving net activity	-	30,389	20,972	51,361
Other	<u>(932,676)</u>	<u>178,203</u>	<u>653,587</u>	<u>(100,886)</u>
Net nonoperating activities	<u>13,586,116</u>	<u>307,330</u>	<u>5,414,082</u>	<u>19,307,528</u>
Increase (decrease) in net assets, before changes in accounting principles and minimum pension liability adjustment	17,367,035	(3,840,791)	5,414,082	18,940,326
Changes in accounting principles	<u>(4,187,301)</u>	<u>-</u>	<u>-</u>	<u>(4,187,301)</u>
Increase (decrease) in net assets, before minimum pension liability adjustment	13,179,734	(3,840,791)	5,414,082	14,753,025
(Increase) decrease in minimum pension liability	<u>815,661</u>	<u>-</u>	<u>-</u>	<u>815,661</u>
Increase (decrease) in net assets	13,995,395	(3,840,791)	5,414,082	15,568,686
Net assets at beginning of year	<u>159,199,467</u>	<u>31,555,816</u>	<u>84,415,622</u>	<u>275,170,905</u>
Net assets at end of year	<u>\$ 173,194,862</u>	<u>\$ 27,715,025</u>	<u>\$ 89,829,704</u>	<u>\$ 290,739,591</u>

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

**St. Lawrence University**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 47,923,494	\$ 15,568,686
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation, amortization and accretion	8,912,134	8,913,578
Changes in accounting principles	1,043,588	4,187,301
Realized and unrealized gains on investments	(40,644,210)	(21,089,401)
Gain on sale of buildings and equipment	(283,833)	-
Contributions for long-term investment and long-lived assets	(9,115,021)	(8,322,948)
Change in value of deferred gifts	(428,162)	360,607
Change in fair value of interest rate swap	(794,028)	(985,972)
Minimum pension liability adjustment	-	(815,661)
Changes in assets and liabilities:		
Accounts receivable	(83,489)	121,018
Accrued investment income	56,005	286,521
Inventories	(91,052)	(89,801)
Prepaid expenses and other assets	(373,849)	(1,786,781)
Contributions receivable	1,090,988	3,393,537
Accounts payable and accrued expenses	(340,722)	1,965,630
Deposits and deferred revenues	160,599	543,570
Accrued pension and postretirement benefits	(289,887)	1,171,519
Conditional asset retirement obligations	(189,376)	-
Net cash provided by operating activities	<u>6,553,179</u>	<u>3,421,403</u>
<b>Cash flows from investing activities</b>		
Purchases of buildings and equipment, net	(24,290,689)	(21,948,488)
Proceeds from sale of buildings and equipment	415,136	96,147
Proceeds from student loan collections	828,298	963,395
Student loans issued	(824,424)	(904,612)
Purchase of investments	(338,980,379)	(146,705,269)
Proceeds from sales and maturities of investments	340,697,117	149,756,133
Additions to deposits with trustee	(1,500,000)	(691,949)
Use of deposits with trustee	1,903,310	161,958
Net cash used in investing activities	<u>(21,751,631)</u>	<u>(19,272,685)</u>
<b>Cash flows from financing activities</b>		
Proceeds from borrowing	1,500,000	20,850,000
Payments on line of credit	-	(2,000,000)
Contributions for long-term investment	4,660,000	4,507,227
Contributions for long-lived assets	2,531,958	3,333,833
(Decrease) increase in federal student loan funds	(122,553)	9,662
Payments on long-term debt	(1,634,814)	(4,122,434)
Deferred financing costs	-	(848,009)
Net cash provided by financing activities	<u>6,934,591</u>	<u>21,730,279</u>
Net (decrease) increase in cash and cash equivalents	(8,263,861)	5,878,997
<b>Cash and cash equivalents</b>		
Beginning of year	<u>12,330,995</u>	<u>6,451,998</u>
End of year	<u>\$ 4,067,134</u>	<u>\$ 12,330,995</u>
<b>Supplemental data</b>		
Interest expense paid, net of interest capitalized of \$656,628 and \$248,567 in 2007 and 2006, respectively	\$ 3,589,648	\$ 3,623,193
Gifts in kind	485,706	220,000
Asset retirement cost	35,380	45,729
<b>Non-cash financing activities</b>		
Change in construction related payables	(1,461,281)	582,707
Equipment acquired under capital lease agreement	179,903	-
Stock gifts	1,212,183	-

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

**St. Lawrence University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2007 and 2006**

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**1. Summary of Significant Accounting Policies**

St. Lawrence University (the "University") was chartered by the Legislature of the State of New York in 1856 and is the oldest continuously coeducational institution of higher learning in the state. The University is committed to excellence in undergraduate liberal arts studies and graduate studies in education. The University's enrollment is approximately 2,100 full-time students, with nearly an equal number of men and women from most U. S. states and fifty-one other countries.

**Basis of Presentation**

The financial statements have been prepared on the accrual basis of accounting and include the accounts of the University and Laurentian Properties, LLC ("LP"), a wholly owned subsidiary. All material transactions between the University and its subsidiary have been eliminated.

Net assets having similar characteristics have been classified in the following categories:

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

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

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

**Subsidiary**

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

	<b>2007</b>	<b>2006</b>
Total LP revenues	\$ 3,278,913	\$ 3,044,939
Total LP expenses	<u>(2,940,967)</u>	<u>(2,984,672)</u>
Net income	<u>\$ 337,946</u>	<u>\$ 60,267</u>

**Cash and Cash Equivalents**

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

**Inventories**

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

# St. Lawrence University

## Notes to Consolidated Financial Statements

### June 30, 2007 and 2006

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#### **Contributions**

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

Costs incurred by the University in obtaining donor contributions were approximately \$3,583,000 and \$3,117,000 for the years ended June 30, 2007 and 2006, respectively.

#### **Student Accounts and Loans Receivable**

Student account and loan receivables at June 30, 2007 and 2006 are reported net of provisions for doubtful accounts of approximately \$549,000 and \$503,000, respectively. The provision is intended to provide for accounts, both in repayment status and not yet in repayment status (borrowers still in school or in the grace period following graduation), that may not be collected.

#### **Deposits with Trustee of Debt Obligations**

Deposits with trustee of debt obligations represent debt service and certain reserve funds required by the trustee and includes unexpended bond proceeds of \$1,500,000 and \$247,000 at June 30, 2007 and 2006, respectively.

#### **Investments**

The University accounts for its investments at fair value. The fair value of publicly traded fixed income and equity securities is based upon quoted market prices and exchange rates, if applicable. Limited partnership interest valuations are recorded primarily at fair value as determined by the general partners and approved by a valuation committee of the partnership based upon judgments which include, among other factors, restrictions affecting marketability, operating results, financial condition of the issuers and the price of the most recent financing transactions. Private equities and certain other nonmarketable securities are valued using current information obtained from the general partner or investment manager for the respective funds. Investment return is reported net of management and custodial fees of approximately \$2,441,000 and \$2,587,000 for 2007 and 2006, 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 statement of financial position and the consolidated statement of activities.

#### **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 estimated future cash outflows over the beneficiary's life expectancy as required by the deferred gift agreements. Discount rates are used to calculate the net present value of the obligations and are based on risk free rates commensurate with the beneficiary life expectancy at fiscal year end.

# St. Lawrence University

## Notes to Consolidated Financial Statements

### June 30, 2007 and 2006

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#### **Land, Buildings, and Equipment**

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

#### **Asset Retirement Obligation**

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

Upon adoption of FIN 47 on June 30, 2006, the University recognized a \$4,187,301 cumulative effect change in accounting principle in the statement of activities. Accretion of the liability for the year ended June 30, 2007 was approximately \$202,000.

#### **Benefit Plans**

In September 2006, the Financial Accounting Standards Board issued SFAS No. 158, *Employer's Accounting for Defined Benefit Pension and Other Post-Retirement Plans* ("SFAS 158") which is an amendment of SFAS No.'s 87, 88, 106 and 132(R). SFAS 158 requires employers to recognize the over-funded or under-funded status of defined benefit pension and post-retirement plans as assets or liabilities in its consolidated balance sheet and to recognize changes in that funded status in the year in which the changes occur through changes in unrestricted net assets. The University has adopted the balance sheet recognition provisions of SFAS 158 as of June 30, 2007. The impact of adoption resulted in a decrease of \$1,043,588 in unrestricted net assets, which was recorded as an adjustment to unrestricted net assets.

#### **Estimates**

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

#### **Internal Revenue Code Status**

The University has been granted tax-exempt status as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code. LP is organized as an LLC, therefore all income passes through to the University as sole member and is subject to unrelated business income taxes.

**St. Lawrence University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2007 and 2006**

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**2. Contributions Receivable**

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

	<b>2007</b>	<b>2006</b>
Less than one year	\$ 4,812,002	\$ 5,873,273
One year to five years	10,947,246	6,352,484
Over five years	<u>16,191,379</u>	<u>15,815,609</u>
	31,950,627	28,041,366
Less: Present value discount	<u>(12,837,688)</u>	<u>(7,472,209)</u>
	19,112,939	20,569,157
Charitable remainder trusts	<u>3,417,299</u>	<u>3,052,069</u>
	<u>\$ 22,530,238</u>	<u>\$ 23,621,226</u>

As of June 30, 2007, the University has received and not recognized conditional promises and bequests with a future value of approximately \$14,624,000.

**3. Temporarily Restricted Net Assets**

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

	<b>2007</b>	<b>2006</b>
Contributions receivable	\$ 16,893,519	\$ 16,911,088
Charitable remainder trusts receivable	1,652,199	1,248,592
Annuity and life income funds	5,238,260	4,774,200
Gifts and other unexpended revenues for capital projects	1,003,161	2,072,149
Gifts and other unexpended revenues for operations	<u>3,263,644</u>	<u>2,708,996</u>
	<u>\$ 28,050,783</u>	<u>\$ 27,715,025</u>

**4. Permanently Restricted Net Assets**

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

	<b>2007</b>	<b>2006</b>
Contributions and charitable remainder trusts receivable	\$ 3,984,520	\$ 5,354,784
Annuity and life income funds	1,709,488	1,575,942
Loan funds	639,466	612,117
Donor-restricted contributions	<u>88,265,951</u>	<u>82,286,861</u>
	<u>\$ 94,599,425</u>	<u>\$ 89,829,704</u>

**St. Lawrence University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2007 and 2006**

**5. Land, Buildings, and Equipment**

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

	<b>2007</b>	<b>2006</b>
Land	\$ 2,654,737	\$ 2,654,737
Land improvements	14,821,289	14,688,075
Buildings and improvements	156,151,446	154,066,567
Equipment, art and books	40,603,890	44,126,243
	<u>214,231,362</u>	<u>215,535,622</u>
Less: Accumulated depreciation	<u>(101,028,685)</u>	<u>(101,106,558)</u>
	113,202,677	114,429,064
Construction in progress	38,365,946	22,352,179
	<u>\$ 151,568,623</u>	<u>\$ 136,781,243</u>

Depreciation expense for the years ended June 30, 2007 and 2006 was approximately \$8,576,000 and \$8,807,000, respectively.

Construction in progress includes certain projects started but not completed at June 30, 2007, the most significant of which is the construction of the Science Center. The estimated cost to complete this and other projects included in construction in progress is approximately \$1,049,000 at June 30, 2007.

**6. Investments**

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

	<b>2007</b>		<b>2006</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
Short-term investments	\$ 8,000,000	\$ 8,000,000	\$ 4,055,291	\$ 4,055,291
Stocks	4,414,558	14,046,592	67,975,190	82,512,869
Alternative investments/ limited partnerships	25,328,630	47,648,103	30,578,435	60,530,881
Fixed income securities	-	-	1,841,143	1,854,064
Mutual funds - fixed income	-	-	10,642,575	10,094,604
Mutual funds - equities	9,679,490	14,374,244	54,871,490	70,879,136
Institutional class mutual funds - fixed income	38,789,771	39,349,377	-	-
Institutional class mutual funds - equities	125,039,638	138,576,659	-	-
Real estate and other	1,155,706	1,155,706	821,364	821,364
	<u>\$ 212,407,793</u>	<u>\$ 263,150,681</u>	<u>\$ 170,785,488</u>	<u>\$ 230,748,209</u>

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

	Fair Value	Cost	Unrealized Appreciation	Fair Value Per Unit	Number of Units
End of year	253,078,306	205,543,300	47,535,006	4,405.66	57,444
Beginning of year	214,993,079	163,085,338	51,907,741	3,718.97	57,810
Unrealized net gain for the year			(4,372,735)		
Realized net gain for the year			43,670,168		
Net gain for the year			<u>\$ 39,297,433</u>		

The University recognizes for spending purposes endowment income equal to 5.5% of a three-year moving average of the fair value of pooled assets for the years ended June 30, 2007 and 2006, respectively.

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

	2007	2006
Dividends and interest	\$ 4,558,048	\$ 2,552,513
Net realized and unrealized gains	<u>40,644,210</u>	<u>21,544,890</u>
Total return on investments	45,202,258	24,097,403
Investment return designated for current operations	<u>(11,783,938)</u>	<u>(10,409,591)</u>
Investment return in excess of amounts designated for current operations	<u>\$ 33,418,320</u>	<u>\$ 13,687,812</u>

**7. Debt Obligations**

Debt obligations outstanding at June 30 are as follows:

	2007	2006
<b>University</b>		
Capital lease obligation (a)	\$ 440,997	\$ 795,908
St. Lawrence County Industrial Development - Agency Civic Facility Revenue Bonds		
1996 Series (b)	2,145,000	2,555,000
1998A Series (c)	31,100,000	31,100,000
1998B Series (d)	6,135,000	6,665,000
2001A Series (e)	41,400,000	41,400,000
2005 Series (f)	18,450,000	18,450,000
Total University Obligations	<u>99,670,997</u>	<u>100,965,908</u>
<b>LP</b>		
Term loan (g), (h)	<u>1,980,000</u>	<u>640,000</u>
Total debt obligations outstanding	<u>\$ 101,650,997</u>	<u>\$ 101,605,908</u>

# St. Lawrence University

## Notes to Consolidated Financial Statements

### June 30, 2007 and 2006

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The University has a \$5,000,000 operating line of credit that is uncollateralized and renewed annually. There were no outstanding balances on this line as of June 30, 2007 and 2006.

- (a) The University has entered into capital lease obligations for computer equipment. The original amounts of the capital lease obligations were \$806,709. One lease requires a monthly payment of \$11,455 through October 2009 and the other requires an annual lease payment of \$52,081 through November 2009. The lease obligations bear interest at rates ranging from 3.69% to 4.37%.
- (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 Industrial Development Agency 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 issue was for the construction of the new bookstore, renovations of the dining hall, library and athletic facilities, and other campus wide improvements. The 1998A bonds bear interest at rates ranging from 5% to 5.5% and mature in varying amounts through 2029.
- (d) In October 1998, the University issued \$9,030,000 of Series 1998B St. Lawrence County Industrial Development Agency Civic Facility Revenue Bonds. The purpose of the bonds was to advance refund \$6,010,000 of outstanding Series 1996 bonds and outstanding 1985 Series Pooled Cap B bonds. The bonds bear interest at rates ranging from 3.55% to 4.75% and mature in varying amounts through 2026.
- (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 is determined each month at auction. Interest is payable every 28 days and the rates paid during the fiscal year ended June 30, 2007 ranged from 3.25% to 3.6%. The bonds mature in 2031.
- (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 are being used to finance the construction of a new science center. The bonds were issued as Auction Rate bonds and the interest rate is determined every 7 days at auction. Interest is payable every 7 days and the rates paid during the fiscal year ended June 30, 2007 ranged from 3.25% to 3.7%. The bonds mature in 2035.
- (g) In 2001, LP borrowed \$1,600,000 from a financial institution for renovations to the facility. The interest rate on the loan is LIBOR plus 200 basis points. Monthly principal payments of \$13,333 commenced August 2001 and continue through July 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.
- (h) In June 2007, LP borrowed \$1,500,000 from a financial institution to finance the construction of a pool and fitness center. The interest rate on the loan is LIBOR plus 65 basis points. Monthly principal payments of approximately \$16,500 commenced July 2007 and will continue through June 2022. The obligation is guaranteed by the University.

# St. Lawrence University

## Notes to Consolidated Financial Statements

### June 30, 2007 and 2006

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The estimated fair value of the University's bonds payable at June 30, 2007 is approximately \$99,915,000 based on rates currently available to the University for debt with similar terms and remaining maturities.

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

2008	\$ 2,417,436
2009	2,469,178
2010	2,439,383
2011	2,410,000
2012	3,875,000
Thereafter	<u>88,040,000</u>
	<u>\$ 101,650,997</u>

Interest expense was \$4,009,180 and \$3,340,454 net of interest capitalized of \$656,628 and \$248,567 for the years ended June 30, 2007 and 2006, respectively.

#### Interest Rate Swap

In October 2005, the University entered into an interest rate swap agreement with an expiration date of October 2031. Neither the University nor the counterparty, which is a financial institution, are required to collateralize their respective obligations under this swap. The purpose of this swap is to fix the interest rate on a portion of variable rate debt and reduce certain exposures to interest rate fluctuations. As of June 30, 2007, the notional amount of the swap was \$41,400,000. Under the agreement, the University will pay the counterparty interest at a fixed rate of 3% through October 2007 and 3.64% for the remaining life of the bond. The notional amount does not represent an amount exchanged by the parties, and is thus not a measure of exposure of the University. The amounts exchanged are based on the notional amounts and other terms of the swap. The University has recognized an increase in net assets of \$28,952 at June 30, 2007, which represents the net cash payment received for the difference between the University's and the counterparty's payments under the swap. For the years ended June 30, 2007 and 2006, respectively, the University recognized a (decrease) increase in net assets of (\$208,972) and \$985,972 in the value of this swap and a year end asset value of \$777,000 and \$985,972 on the statement of financial position as of June 30, 2007 and 2006, respectively.

In March 2007, the University entered into an interest rate swap agreement with an expiration date of July 1, 2028. Neither the University nor the counterparty, which is a financial institution, are required to collateralize their respective obligations under this swap. The purpose of this swap is to fix the interest rate on an anticipated refunding of the University's Series A and Series B bonds in April 2008. As of June 30, 2007, the notional amount of the swap was \$38,350,000. Under the agreement, the University will pay the counterparty interest at a fixed rate of 3.805% for the remaining life of the bond. The notional amount does not represent an amount exchanged by the parties, and is thus not a measure of exposure of the University. The amounts exchanged are based on the notional amounts and other terms of the swap. As of June 30, 2007, the University recognized an increase in net assets of \$1,003,000 and a related increase in assets on the statement of financial position.

In June 2007, LP entered into an interest rate swap agreement with an expiration date of June 2022. The purpose of this swap is to fix the interest rate on a variable rate term loan. As of June 30, 2007, the notional amount of the swap was \$1,500,000 and there was no asset value as of June 30, 2007. Under the agreement, the University will pay the counterparty interest at a fixed rate of 6.55%.

**St. Lawrence University**  
**Notes to Consolidated Financial Statements**  
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**8. Benefit Plans**

The University has the following benefit plans:

- (a) Faculty, administrative, and non-exempt employees are participants in retirement plans administered by the Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). The University accrues the costs of these defined contribution plans currently. The University's contribution under these plans was approximately \$3,139,000 and \$2,977,000 in 2007 and 2006, respectively.
- (b) The University has a supplemental retirement pension plan, which was frozen on October 5, 1990. The measurement date of the plan is June 30 and information with respect to this plan is as follows:

	2007	2006
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of period	\$ 4,691,745	\$ 5,101,091
Interest cost	289,156	247,161
Benefits paid	(235,193)	(400,198)
Actuarial gains	(35,693)	(256,309)
Benefit obligation at end of period	<u>\$ 4,710,015</u>	<u>\$ 4,691,745</u>
<b>Change in plan assets at fair value</b>		
Plan assets at fair value at beginning of fiscal year	\$ 4,753,632	\$ 4,794,955
Actual return on assets	708,884	358,875
Benefits paid	(235,193)	(400,198)
Plan assets at fair value at end of fiscal year	<u>\$ 5,227,323</u>	<u>\$ 4,753,632</u>
<b>Reconciliation of funded status</b>		
Funded status at the end of the year	\$ 517,308	\$ 61,887
Unrecognized actuarial losses	-	536,685
Net amount recognized in statement of financial position (before SFAS 158)	<u>N/A</u>	<u>\$ 598,572</u>
<b>Change in net assets due to the adoption of SFAS 158</b>		
Cumulative employer contributions in excess of net periodic benefit cost	\$ 685,120	\$ 598,572
Net amount recognized in statement of financial position	<u>517,308</u>	<u>598,572</u>
Net decrease in net assets due to SFAS 158	<u>\$ 167,812</u>	<u>\$ -</u>
<b>Assumptions to determine benefit obligation</b>		
Discount rate	6.25%	6.50%
<b>Assumptions to determine net periodic benefit cost</b>		
Discount rate	6.50%	5.25%
Expected return on assets	8.50%	8.50%
<b>Components of net periodic pension benefit</b>		
Interest cost	\$ 289,156	\$ 247,161
Expected return on assets	(383,388)	(374,402)
Amortization of unrecognized net loss	7,684	38,194
Net periodic pension benefit	<u>\$ (86,548)</u>	<u>\$ (89,047)</u>

**St. Lawrence University**  
**Notes to Consolidated Financial Statements**  
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**Plan Assets**

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

	<b>2007</b>	<b>2006</b>
Domestic equity securities	46%	50%
Debt securities	38%	40%
International equity securities	16%	10%
	<u>100%</u>	<u>100%</u>

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

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

**Cash Flow - Contributions**

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

**Estimated Future Benefit Payments**

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

July 1, 2007 - June 30, 2008	\$ 422,000
July 1, 2008 - June 30, 2009	745,000
July 1, 2009 - June 30, 2010	507,000
July 1, 2010 - June 30, 2011	427,000
July 1, 2011 - June 30, 2012	370,000
Thereafter	1,534,565

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

**St. Lawrence University**  
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- (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:

	<b>2007</b>	<b>2006</b>
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of period	\$ 11,611,287	\$ 11,029,694
Effect of remeasurement (i)	<u>2,216,097</u>	<u>-</u>
Benefit obligation at beginning of period	\$ 13,827,384	\$ 11,029,694
Service cost	779,674	781,899
Interest cost	539,935	651,363
Plan participants' contributions	173,151	172,996
Benefits paid	(419,386)	(515,254)
Amendments (ii)	(5,316,065)	(12,437)
Medicare Part D subsidy	86,525	-
Actuarial loss (gain)	<u>459,850</u>	<u>(496,974)</u>
Benefit obligation at end of period	<u>\$ 10,131,068</u>	<u>\$ 11,611,287</u>

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

	<b>2007</b>	<b>2006</b>
<b>Reconciliation of funded status</b>		
Funded status at end of the year	\$ (10,131,068)	\$(11,611,287)
Unrecognized prior service gain	(4,602,662)	(1,264,946)
Unrecognized actuarial losses	<u>5,478,438</u>	<u>3,498,866</u>
Net amount recognized in statement of financial position (before SFAS 158)	<u>\$ (9,255,292)</u>	<u>\$ (9,377,367)</u>
<b>Change in net assets due to the adoption of SFAS 158</b>		
Cumulative employer contributions in excess of net periodic benefit cost	\$ (9,255,292)	\$ (9,377,367)
Net amount recognized in the statement of financial position	<u>(10,131,068)</u>	<u>(9,377,367)</u>
Net decrease in net assets due to adoption of SFAS 158	<u>\$ 875,776</u>	<u>\$ -</u>
<b>Assumptions to determine year end benefit obligation</b>		
Discount rate	6.25%	6.50%
<b>Assumptions to determine net periodic benefit cost</b>		
Discount rate	6.50%	5.25%
Salary increase	5.00%	5.00%

**St. Lawrence University**  
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	<b>2007</b>	<b>2006</b>
<b>Components of net periodic benefit cost</b>		
Service cost	\$ 779,674	\$ 781,899
Interest cost	539,935	651,363
Amortization of prior service credit	(909,111)	(92,825)
Amortization of actuarial losses	696,375	262,386
Net periodic benefit cost	<u>\$ 1,106,873</u>	<u>\$ 1,602,823</u>
Effect of curtailment	<u>(1,069,238)</u>	<u>-</u>
Total postretirement benefit cost	<u>\$ 37,635</u>	<u>\$ 1,602,823</u>

The estimated transition obligation, prior service cost, and net loss that will be amortized into net periodic benefit cost over the next fiscal year are \$0, \$(909,000) and \$640,000, respectively.

For measurement purposes, a 9%, 7% and 11% 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 2007. These rates were assumed to decrease gradually to 5.00% by fiscal year 2014 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:

	<b>1% Point Increase</b>	<b>1% Point Decrease</b>
Effect on total service and interest cost components	\$ 181,092	\$ (150,418)
Effect on postretirement benefit obligation	1,150,390	(972,424)

**Cash Flow – Contributions**

Contributions to the postretirement benefit plans net of employee contributions for fiscal year 2008 are estimated to be approximately \$432,000.

**Estimated Future Benefit Payments**

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

	<b>Gross Payments</b>	<b>Subsidy Receipts</b>
2008	\$ 522,200	\$ (89,800)
2009	627,300	(99,300)
2010	718,600	(111,200)
2011	813,400	(124,200)
2012	890,800	(142,100)
Thereafter	6,079,600	(966,600)

**St. Lawrence University**  
**Notes to Consolidated Financial Statements**  
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**9. 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 is involved 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 \$2,126,900 and \$1,818,804 as of June 30, 2007 and 2006, respectively. This amount has been recorded in the consolidated financial statements in prepaid expenses and other assets. The discounted estimated pledge contribution liability is \$2,838,833 and \$2,351,202 as of June 30, 2007 and 2006, respectively. This amount has been recorded in the consolidated financial statements in accounts payable and accrued expenses.

**10. Insured Risks**

- (a) The University participates in the New York College and University Risk Management Group Trust (the "Trust"). The Trust pays claims and judgments relating to workers' 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 is \$180,675 and \$179,300 at June 30, 2007 and 2006, respectively.
- (b) The University is self-insured for medical insurance. It is the University's policy to reserve for anticipated claims and record this amount as an accrued liability based on claim history and management's estimate. This liability amounted to approximately \$872,000 as of June 30, 2007 and 2006 and is recorded within accounts payable and accrued expenses in the statement of financial position. The University has stop loss coverage on individual claims in excess of \$100,000 and aggregate claims in excess of 125% of expected claims.