ST. LAWRENCE UNIVERSITY

ST. LAWRENCE UNIVERSITY AND SUBSIDIARIES

Consolidated Financial Statements as of June 30, 2017 and 2016 Together with Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

October 20, 2017

To the Board of Trustees of
St. Lawrence University:

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of St. Lawrence University (a New York not-for-profit corporation) and Subsidiaries (collectively, the University), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Lawrence University and Subsidiaries as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2017, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Bonadio & Co., LLP

ST. LAWRENCE UNIVERSITY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 13,366,997	$ 11,071,316
Accounts receivable, net	2,353,543	2,557,840
Inventories	1,898,022	1,997,744
Prepaid expenses and other assets	1,962,464	1,743,277
Contributions receivable, net	52,596,420	31,887,240
Loans receivable, net	3,056,385	4,072,983
Deposits with trustees of debt obligations	2,245,568	30,812
Investments	296,554,696	268,494,020
Funds held for deferred giving	8,952,713	7,743,874
Land, buildings, and equipment, net	159,799,741	165,481,499
Total assets	$ 542,786,549	$ 495,080,605
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 11,807,200	$ 11,505,479
Deferred revenues	3,558,468	3,368,769
Conditional asset retirement obligations	4,678,896	4,503,191
Annuities and deferred giving obligations	4,441,779	3,717,805
Federal student loan funds	2,968,106	2,982,922
Accrued pension and postretirement benefits	3,818,981	4,564,550
Debt obligations	109,067,611	110,043,464
Total liabilities	140,341,041	140,686,180
NET ASSETS:		
Unrestricted -		
Board designated for endowment	63,234,273	57,897,422
Undesignated	40,340,006	43,684,798
Temporarily restricted	149,402,876	108,380,520
Permanently restricted	149,468,353	144,431,685
Total net assets	402,445,508	354,394,425
Total liabilities and net assets	$ 542,786,549	$ 495,080,605

The accompanying notes are an integral part of these statements.

ST. LAWRENCE UNIVERSITY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
OPERATING REVENUES:					
Student revenues -					
Tuition and fees	$ 120,946,740	$ -	$ -	$ 120,946,740	$ 121,037,931
Room and board revenues	28,029,218	-	-	28,029,218	27,610,473
Less: Student financial aid	(66,443,980)	-	-	(66,443,980)	(65,682,057)
Net student revenues	82,531,978	-	-	82,531,978	82,966,347
Auxiliary enterprises	8,526,156	-	-	8,526,156	8,441,341
Government grants	2,301,884	-	-	2,301,884	1,918,075
Private gifts - annual	5,830,488	25,015,257	-	30,845,745	12,765,342
Private gifts - nonrecurring	2,752,252	1,757,749	-	4,510,001	3,859,805
Investment income allocated to operations	12,544,664	824,149	-	13,368,813	13,005,499
Other	2,935,568	-	-	2,935,568	2,903,820
Net assets released from restrictions for operating purposes	4,511,929	(4,511,929)	-	-	-
Total operating revenues	121,934,919	23,085,226	-	145,020,145	125,860,229
OPERATING EXPENSES:					
Instruction	42,950,427	-	-	42,950,427	42,692,128
Auxiliary enterprises	25,613,825	-	-	25,613,825	24,346,114
Student services	20,884,255	-	-	20,884,255	21,008,301
Institutional support	19,337,877	-	-	19,337,877	18,626,766
Academic support	13,130,708	-	-	13,130,708	11,839,253
Public service	2,308,014	-	-	2,308,014	2,683,022
Research	214,529	-	-	214,529	153,368
Total operating expenses	124,439,635	-	-	124,439,635	121,348,952
Change in net assets from operating activities	(2,504,716)	23,085,226	-	20,580,510	4,511,277
NONOPERATING ACTIVITIES:					
Investment gain (loss), net of amounts allocated to operations	4,765,025	18,201,941	108,488	23,075,454	(18,183,760)
Postretirement benefit related changes other than net periodic benefit cost	235,391	-	-	235,391	(1,635,779)
Write-off of unamortized deferred financing costs	-	-	-	-	(654,521)
Contributions for long-term investment	-	-	4,190,201	4,190,201	22,645,372
Worker's compensation trust proceeds	145,090	-	-	145,090	280,729
Clarification of donor intent	-	-	-	-	-
Other	(648,731)	(264,811)	737,979	(175,563)	(891,347)
Change in net assets from nonoperating activities	4,496,775	17,937,130	5,036,668	27,470,573	1,560,694
CHANGE IN NET ASSETS	1,992,059	41,022,356	5,036,668	48,051,083	6,071,971
NET ASSETS - beginning of year	101,582,220	108,380,520	144,431,685	354,394,425	348,322,454
NET ASSETS - end of year	$ 103,574,279	$ 149,402,876	$ 149,468,353	$ 402,445,508	$ 354,394,425

The accompanying notes are an integral part of these statements.

ST. LAWRENCE UNIVERSITY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES:				
Student revenues -				
Tuition and fees	$ 121,037,931	$ -	$ -	$ 121,037,931
Room and board revenues	27,610,473	-	-	27,610,473
Less: Student financial aid	(65,682,057)	-	-	(65,682,057)
Net student revenues	82,966,347	-	-	82,966,347
Auxiliary enterprises	8,441,341	-	-	8,441,341
Government grants	1,918,075	-	-	1,918,075
Private gifts - annual	5,305,503	7,459,839	-	12,765,342
Private gifts - nonrecurring	2,678,673	1,181,132	-	3,859,805
Investment income allocated to operations	11,617,912	1,387,587	-	13,005,499
Other	2,903,820	-	-	2,903,820
Net assets released from restrictions for operating purposes	4,565,153	(4,565,153)	-	-
Total operating revenues	120,396,824	5,463,405	-	125,860,229
OPERATING EXPENSES:				
Instruction	42,692,128	-	-	42,692,128
Auxiliary enterprises	24,346,114	-	-	24,346,114
Student services	21,008,301	-	-	21,008,301
Institutional support	18,626,766	-	-	18,626,766
Academic support	11,839,253	-	-	11,839,253
Public service	2,683,022	-	-	2,683,022
Research	153,368	-	-	153,368
Total operating expenses	121,348,952	-	-	121,348,952
Change in net assets from operating activities	(952,128)	5,463,405	-	4,511,277
NONOPERATING ACTIVITIES:				
Investment gain (loss), net of amounts allocated to operations	(4,057,115)	(14,184,782)	58,137	(18,183,760)
Postretirement benefit related changes other than net periodic benefit cost	(1,635,779)	-	-	(1,635,779)
Write-off of unamortized deferred financing costs	(654,521)	-	-	(654,521)
Contributions for long-term investment	-	-	22,645,372	22,645,372
Worker's compensation trust proceeds	280,729	-	-	280,729
Other	308,261	(160,925)	(1,038,683)	(891,347)
Change in net assets from nonoperating activities	(5,758,425)	(14,345,707)	21,664,826	1,560,694
CHANGE IN NET ASSETS	(6,710,553)	(8,882,302)	21,664,826	6,071,971
NET ASSETS - beginning of year	108,292,773	117,262,822	122,766,859	348,322,454
NET ASSETS - end of year	$ 101,582,220	$ 108,380,520	$ 144,431,685	$ 354,394,425

The accompanying notes are an integral part of these statements.

ST. LAWRENCE UNIVERSITY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 48,051,083	$ 6,071,971
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation, amortization, and accretion, net	10,853,226	9,819,825
Realized and unrealized (gain) loss on investments, net	(35,476,904)	7,293,855
Contributions for long-term investments and assets	(6,494,460)	(24,695,118)
Change in value of deferred gifts	(1,208,839)	132,357
Provision for uncollectible loans	930,387	-
Loss on interest rate swap agreements	-	20,207
Write-off of unamortized deferred financing costs	-	654,521
Loss on disposal of assets	230,101	86,979
Proceeds from loan collections	560,528	642,039
Loans issued	(474,317)	(541,080)
Changes in:		
Accounts receivable, net	204,297	(243,081)
Inventories	99,722	(110,350)
Prepaid expenses and other assets	(219,187)	(142,219)
Contributions receivable, net	(20,709,180)	(3,503,466)
Accounts payable and accrued expenses	565,136	(321,252)
Deferred revenue	189,699	161,008
Conditional asset retirement obligations	(40,218)	(72,869)
Accrued pension and postretirement benefits	(745,569)	154,512
Net cash flow from operating activities	(3,684,495)	(4,592,161)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of land, building, and equipment	(5,134,132)	(8,512,950)
Purchases of investments	(25,321,241)	(20,265,216)
Proceeds from sales and maturities of investments	32,737,469	22,412,934
Payment on swap agreement	-	(2,405,000)
Net cash flow from investing activities	2,282,096	(8,770,232)
CASH FLOW FROM FINANCING ACTIVITIES:		
Withdrawal (release) of funds held by bond trustees	(2,214,756)	1,276,794
Contributions for long-term investments	4,190,201	7,915,428
Contributions for long-lived assets	1,757,749	1,898,229
Payments of annuities to beneficiaries, net	723,974	(212,883)
Increase (decrease) in federal student loan funds	(14,816)	1,858
Issuance of long-term debt and construction term loans	-	62,030,616
Payments on long-term debt and construction term loans	(744,272)	(54,930,472)
Payment of deferred financing costs	-	(1,062,561)
Net cash flow from financing activities	3,698,080	16,917,009
CHANGE IN CASH AND CASH EQUIVALENTS	2,295,681	3,554,616
CASH AND CASH EQUIVALENTS - beginning of year	11,071,316	7,516,700
CASH AND CASH EQUIVALENTS - end of year	$ 13,366,997	$ 11,071,316
SUPPLEMENTAL DISCLOSURES:		
Interest expense paid	$ 3,601,323	$ 4,453,487
NON-CASH FINANCING ACTIVITIES:		
Fixed assets acquired but not yet paid for	$ 233,999	$ 497,414
Gifts in kind	$ 546,510	$ 151,517
Stock gifts	$ 2,660,039	$ 3,499,253
Loan guarantee	$ -	$ 15,000

The accompanying notes are an integral part of these statements.

1. THE ORGANIZATION

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 2,500 full-time students, who come from over forty different U.S. states and approximately fifty other countries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The consolidated financial statements of the University have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and include the accounts of Laurentian Properties, LLC (Laurentian Properties), St. Lawrence University (USA) London Programme and St. Lawrence University-Kenya Semester Programme, all wholly owned subsidiaries. All material balances and transactions between the University and its subsidiaries have been eliminated.

Financial Reporting
The University classifies its activities into the following net asset 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 do not expire with the passage of time. 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 or scholarships.

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 federally insured limits. The University has not experienced any losses in these accounts and does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories
Inventories are stated at the lower of cost or market and consist primarily of books and merchandise as well as supplies to support campus operations. Cost is determined using the retail method for bookstore inventory and the first in, first out method for all other items in inventory.

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 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.

Accounts Receivable
Accounts receivable represents amounts due from students related to tuition, room, and board fees. The University records an allowance for doubtful accounts based on prior collection experience, current economic conditions and review of existing receivables. Accounts for which no payments have been received for a period of time, which varies by the nature of the receivable, are considered delinquent and written-off or sent to collections, as appropriate.

Loans Receivable
The University participates in the Federal Perkins Loan Program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans.

Perkins student loans receivable represents Perkins loans receivables due from students and are stated at unpaid principal balances. Interest on loans receivable is recognized over the term of the loans.

The Perkins loan program will end on September 30, 2017. The Department of Education is in the process of providing direction with regard to the disposition of the College's Perkin's loan funds.

In order to determine the collectability of loans receivable and review for impairment, the University reviews accounts in default on an as-needed basis. Additionally, an estimate of uncollectible accounts is made based in part, on historical default percentages. Accounts for which no payments have been received for a period of time, which varies by the nature of the receivable, are considered delinquent and written-off or sent to collections, as appropriate. At June 30, 2017 and 2016, there were no impaired loans.

Deposits with Trustees of Debt Obligations
Deposits with trustees of debt obligations of approximately $2,246,000 and $31,000 at June 30, 2017 and 2016, respectively, represent debt service and certain reserve funds required by the trustees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments, except for cash surrender value of life insurance, consist of various types of investment securities, which are stated at fair value. Unrealized gains or losses on such securities result from differences between the cost and fair value of securities on a specified valuation date. Investment securities are exposed to various risks, that include but are not limited to, interest rate, market, currency, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Endowment

The University's endowment consists of individual funds established for a variety of purposes in support of the University's mission. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Fair Value Measurement - Definition and Hierarchy

Accounting Standards Codification (ASC) Section 820 defines fair value as 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. The University uses various valuation techniques in determining fair value. ASC Section 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the University. Unobservable inputs are inputs that reflect the University's assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the University has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the University in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds Held for Deferred Giving Arrangements

The University's deferred giving arrangements consist primarily of gift annuity and pooled life income. 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 used to calculate the net present value of the obligations are commensurate with the life expectancy of the beneficiary.

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. 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 operating resources. The University regularly assesses all of its long-lived assets for impairment and has determined that no impairment loss need be recognized in the periods reported.

Revenue Recognition

Tuition, fees, room, and board revenue are 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 or renovation 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. The 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 recognizes the over-funded or under-funded status of its defined benefit pension and postretirement plans as assets or liabilities in the consolidated statements of financial position, and changes in those funded statuses in the year in which the changes occur through changes in unrestricted net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The Perkins loan program ended on September 30, 2017. The University has not yet received instructions from the Department of Education with regard to the disposition of the University's Perkins loans funds.

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 $457,393 and $455,086 as of June 30, 2017 and 2016, 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 $291,808 and $168,150 as of June 30, 2017 and 2016, respectively. These amounts are recorded in the consolidated statements of financial position in accounts payable and accrued expenses.

Interest Rate Swap Agreements

The University occasionally uses interest rate swap agreements as part of its risk management strategy. 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. The University paid $2,405,000 to terminate an interest rate swap agreement in fiscal 2016. No interest rate swap agreements were in place as of June 30, 2017 and 2016.

Functional Allocation of Expenses

Expenses are reported in the consolidated statements of activities in categories recommended by the National Association of College and University Business Officers (NACUBO), which is also in accordance with generally accepted accounting principles. The University's primary program is instruction. Expenses reported as academic support, student services, and auxiliary enterprises are incurred in support of the primary program. Institutional support represents supporting services expenses. Fundraising expenses totaled approximately $6,531,000 and $5,852,000 for the years ended June 30, 2017 and 2016, respectively. The University began the quiet phase of a six year capital campaign on July 1, 2015 and campaign expenses are included in these costs.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.

Taxes Collected and Remitted to Government Authorities

The University presents sales net of taxes collected for auxiliary operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The University has been recognized by the IRS as an organization exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The University has also been classified as an organization that is not a private foundation.

Laurentian Properties 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.

The University paid approximately $61,400 of tax on unrelated business income 2016. The University was not required to pay tax on unrelated business income in 2017.

Change in Accounting Principle

In 2017, the University adopted Accounting Standards Update (ASU) 2015-03: "Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs." The new guidance requires presenting such debt issuance costs as a direct deduction from the face amount of the debt and classification of the related amortization as interest expense.

Previously, the University reflected unamortized debt issuance costs as an asset on the statement of financial position, and has retroactively reclassified 2016 amounts. The reclassification reduced total assets and liabilities at June 30, 2016 by $1,874,452 with no effect on net assets.

Similarly, interest expense for 2016 has been increased and amortization expense has been decreased by $90,509, with no effect on previously reported changes in net assets.

In May 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-07: "Fair Value Measurement (Topic 820) Disclosures for Investments in Certain Entities that Calculate Net Asset per Share (or its Equivalent)," which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. Management has elected to adopt ASU 2015-07 early, with retrospective application to all periods presented.

3. TEMPORARILY RESTRICTED NET ASSETS

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

	2017	2016
Contributions and charitable remainder trusts receivable	$ 36,015,174	$ 15,220,705
Annuity and life income funds	2,630,135	2,343,257
Gifts and other unexpended revenues for capital projects	1,984,926	1,301,966
Gifts and other unexpended revenues for operations	6,163,417	5,107,309
Endowment earnings	102,609,224	84,407,283
	$ 149,402,876	$ 108,380,520

Net assets were released from restriction for the following purposes for the years ended June 30:

	2017	2016
Contributions and charitable remainder trusts receivable	$ 2,021,118	$ 953,077
Gifts and other unexpended revenues for capital projects	1,080,259	1,483,493
Gifts and other unexpended revenues for operations	1,410,552	2,128,583
	$ 4,511,929	$ 4,565,153

4. PERMANENTLY RESTRICTED NET ASSETS

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

	2017	2016
Contributions and charitable remainder trusts receivable	$ 16,581,008	$ 16,666,941
Annuity and life income funds	2,149,347	1,778,521
Loan funds	697,458	697,458
Donor restricted investments	130,040,540	125,288,765
	$ 149,468,353	$ 144,431,685

5. LAURENTIAN PROPERTIES

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

	2017	2016
Total Laurentian Properties revenues	$ 3,815,770	$ 3,532,812
Total Laurentian Properties expenses	(3,796,509)	(3,560,527)
Revenue in excess of expenses	$ 19,261	$ (27,715)

Total Laurentian Properties' assets of $5,401,159 and $5,531,295 and total Laurentian Properties' liabilities of $3,027,167 and $3,176,564 as of June 30, 2017 and 2016, respectively, are included in the consolidated statements of financial position. All intercompany balances and transactions have been eliminated for the purposes of these financial statements.

6. CONTRIBUTIONS RECEIVABLE

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

	2017	2016
Less than one year	$ 2,732,160	$ 1,119,374
One year to five years	14,182,660	16,062,129
Over five years	58,886,923	30,545,980
	75,801,743	47,727,483
Less: Allowance for uncollectible amounts	(3,032,070)	(1,909,098)
Less: Present value discount	(20,187,217)	(14,244,465)
	52,582,456	31,573,920
Charitable remainder trusts	13,964	313,320
	$ 52,596,420	$ 31,887,240

The change in contributions receivable reported on the statement of cash flows is comprised of the following components:

	2017	2016
Increase in gross contributions receivable	$ 27,774,904	$ 9,020,998
Change in unamortized discount	$ (5,942,752)	$ (4,498,263)
Change in allowance for uncollectible amounts	$ (1,122,972)	$ (1,019,269)
	$ 20,709,180	$ 3,503,466

The University uses discount rates to calculate present value ranging from 1.15% to 7.28%.

As of June 30, 2017, the University had received and not recognized conditional promises to give and bequests with a face value of approximately $130,539,000.

7. LOANS RECEIVABLE

Loans receivable consisted of the following at June 30:

	2017	2016
Student loans:		
Government revolving	$ 2,959,553	$ 2,991,896
Institutional	530,226	559,341
Canton Day Care Center	1,015,000	1,030,000
Faculty and staff loans	73,352	83,105
	4,578,131	4,664,342
Less: Allowance for doubtful accounts	(1,521,746)	(591,359)
	$ 3,056,385	$ 4,072,983

Governmental revolving loans are funded principally with federal advances to the University under the Federal Perkins Loan Program. These advances totaled approximately $2,968,000 and $2,983,000 as of June 30, 2017 and 2016, respectively, and are classified as liabilities in the consolidated statements of financial position. Interest earned on the revolving loan programs is reinvested to support additional loans. The repayment and interest rate terms of the institutional loans vary.

Perkins student loans and institutional loans receivable allowances for doubtful accounts changed as follows for the years ended June 30, 2017 and 2016:

	Perkins Student Loans	Institutional Loans
Allowance for doubtful accounts - July 1, 2015	$ (279,183)	$ (311,197)
(Increases) decreases	(16,317)	15,338
Allowance for doubtful accounts - June 30, 2016	(295,500)	(295,859)
(Increases) decreases	(17,153)	1,766
Allowance for doubtful accounts - June 30, 2017	$ (312,653)	$ (294,093)

7. LOANS RECEIVABLE (Continued)

At June 30, 2017, the following amounts were outstanding for loans receivable:

	Current	1 - 59 Days Past Due	60 - 89 Days Past Due	90+ Days Past Due	Total
Perkins student loans	$2,587,350	$ 3,949	$ -	$ 368,254	$2,959,553
Less: Allowance	(128,329)	(197)	-	(184,127)	(312,653)
	$2,459,021	$ 3,752	$ -	$ 184,127	$2,646,900
Institutional loans	$ 329,748	$ 1,023	$ 55,789	$ 143,666	$ 530,226
Less: Allowance	(179,909)	(511)	(27,895)	(85,778)	(294,093)
	$ 149,839	$ 512	$ 27,894	$ 57,888	$ 236,133
Faculty and staff loans	$ 73,352	$ -	$ -	$ -	$ 73,352
Canton Day Care Center loan guaranty	$1,015,000	$ -	$ -	$ -	$1,015,000
Less: Allowance	(915,000)	-	-	-	(915,000)
	$ 100,000	$ -	$ -	$ -	$ 100,000

At June 30, 2016, the following amounts were outstanding for loans receivable:

	Current	1 - 59 Days Past Due	60 - 89 Days Past Due	90+ Days Past Due	Total
Perkins student loans	$2,656,703	$ 6,598	$ -	$ 328,595	$2,991,896
Less: Allowance	(130,873)	(330)	-	(164,297)	(295,500)
	$2,525,830	$ 6,268	$ -	$ 164,298	$2,696,396
Institutional loans	$ 413,875	$ 9,560	$ 11,538	$ 124,368	$ 559,341
Less: Allowance	(212,561)	(4,780)	(5,769)	(72,749)	(295,859)
	$ 201,314	$ 4,780	$ 5,769	$ 51,619	$ 263,482
Faculty and staff loans	$ 83,105	$ -	$ -	$ -	$ 83,105
Canton Day Care Center loan guaranty	$1,030,000	$ -	$ -	$ -	$1,030,000

8. LAND, BUILDINGS, AND EQUIPMENT

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

	2017	2016
Land	$ 2,662,483	$ 2,662,483
Land improvements	23,041,092	22,827,866
Buildings and improvements	256,564,580	254,592,399
Equipment, art, and books	57,987,643	57,323,279
	340,255,798	337,406,027
Less: Accumulated depreciation	(182,183,251)	(172,856,373)
	158,072,547	164,549,654
Construction in progress	1,727,194	931,845
	$ 159,799,741	$ 165,481,499

Depreciation expense for the years ended June 30, 2017 and 2016 was approximately $10,869,000 and $10,827,000, respectively.

Construction in progress includes certain projects started but not completed at year end. The estimated cost to complete these projects was approximately $247,000 and $497,000 at June 30, 2017 and 2016, respectively.

Asset Retirement Obligation (ARO)
In the normal course of operations, 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 hazardous materials that legally require removal at some point in the future. The primary material identified was asbestos that was used in the initial construction of certain buildings at the University.

The following table details the University's asset retirement obligation for the years ended June 30:

	2017	2016
ARO, beginning of year	$ 4,503,191	$ 4,361,622
Add: Current year accretion	215,923	214,438
Less: Settled obligations	(40,218)	(72,869)
ARO, end of year	$ 4,678,896	$ 4,503,191

9. INVESTMENTS

Investments by type included the following at June 30:

	2017	2016
Cash and cash equivalents	$ 10,940,044	$ 8,743,426
Fixed income:		
Mutual funds	11,637,052	11,535,924
U.S. government obligations	32,631,339	34,426,056
Equities:		
Common stocks	11,189,346	8,366,722
Mutual funds	17,672,318	16,063,180
Commingled funds	127,800,414	100,995,599
Hedge funds:		
Long/short funds	24,491,671	30,413,931
Absolute return funds	34,656,936	29,550,228
Private equity funds:		
Private capital funds	6,547,830	4,945,522
Private real estate fund	285,530	2,457,797
Real asset funds:		
Mutual funds	10,826,016	10,337,104
Commingled funds	3,844,645	6,629,273
Real estate	3,310,928	3,357,928
Other:		
Cash surrender value of life insurance	720,627	671,330
	$ 296,554,696	$ 268,494,020

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

	2017	2016
Dividends and interest	$ 4,262,724	$ 4,435,610
Net realized/unrealized gains (losses)	35,476,904	(7,293,855)
Management fees	(3,295,361)	(2,320,016)
Total return on investments	36,444,267	(5,178,261)
Investment return designated for current operations	(13,368,813)	(13,005,499)
Investment return net of amounts designated for current operations	$ 23,075,454	$ (18,183,760)

10. FAIR VALUE

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in valuation methodologies used at June 30, 2017 and 2016.

The University's investments in cash and cash equivalents, fixed income mutual funds and U.S. government obligations, common stocks, equity mutual and a portion of commingled funds, and real estate mutual funds are valued at the last reported sale price on the last business day of the fiscal year. Quoted market prices are obtained from the national securities exchanges or, in cases where securities are not listed on any of the exchanges, from brokerage firms.

The University's investments in real estate are valued at the most recent appraised value of the property conducted by a qualified professional with knowledge of the relevant geographic location and/or property.

The University utilized the net asset value (NAV) reported by a portion of the equity commingled funds, hedge funds, private equity, and real estate commingled funds as a practical expedient for determining the fair value of the investment. These investments are redeemable at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that the redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements.

Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and consequently, the fair value of the University's interests in the funds. Furthermore, the liquidity provisions of the funds may significantly change the fair value of the University's interest in the funds.

The University's charitable remainder trusts are valued at estimated present value of the funds to be received when the trust terminates using various assumptions with regard to the anticipated date of termination, appropriate rate of discount, and market returns.

The University's common trust funds are valued using a pricing model that includes recently executed transactions and relevant market price quotations.

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 measurements. The University's Investment Committee assesses these policies and procedures. At least annually, management (1) determines if the current valuation techniques used in fair value measurements are still appropriate, and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

10. FAIR VALUE (Continued)

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, 2017:

	Assets at Fair Value			
Investments	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 10,940,044	$ -	$ -	$ 10,940,044
Fixed income:				
Mutual funds	11,637,052	-	-	11,637,081
U.S. government obligations	32,631,339	-	-	32,631,310
Equities:				
Common stocks	11,189,346	-	-	11,189,346
Mutual funds	17,672,318	-	-	17,672,318
Real asset funds:				
Mutual funds	10,826,016	-	-	10,826,016
	$ 94,896,115	$ -	$ -	94,896,115
Investments at net asset value (NAV) as practical expedient				197,627,026
Investments not measured at fair value				4,031,555
				$ 296,554,696

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Contributions Receivable -				
Charitable remainder trusts	$ -	$ 13,964	$ -	$ 13,964

	Assets at Fair Value			
Funds Held for Deferred Giving	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 401,922	$ -	$ -	$ 401,922
Fixed income:				
Mutual funds	1,975,880	-	-	1,975,880
Common trust funds	-	1,607,292	-	1,607,292
Equities:				
Mutual funds	3,904,653	-	-	3,904,653
Common trust funds	-	1,062,966	-	1,062,966
	$ 6,282,455	$ 2,670,258	$ -	$ 8,952,713

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Deposits with Bond Trustees -				
Cash and cash equivalents	$ 2,245,568	$ -	$ -	$ 2,245,568

In 2017, the University adopted ASU 2015-07, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient, and calls for retrospective application to all periods presented.

10. FAIR VALUE (Continued)

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, 2016:

	Assets at Fair Value			
Investments	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 8,743,426	$ -	$ -	$ 8,743,426
Fixed income:				
Mutual funds	11,535,924	-	-	11,535,924
U.S. government obligations	34,426,056	-	-	34,426,056
Equities:				
Common stocks	8,366,722	-	-	8,366,722
Mutual funds	16,063,180	-	-	16,063,180
Real asset funds:				
Mutual funds	10,337,104	-	-	10,337,104
	$ 89,472,412	$ -	$ -	89,472,412
Investments at net asset value (NAV) as practical expedient				174,992,350
Investments not measured at fair value				4,029,258
				$ 268,494,020

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Contributions Receivable -				
Charitable remainder trusts	$ -	$ 313,320	$ -	$ 313,320

	Assets at Fair Value			
Funds Held for Deferred Giving	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 327,780	$ -	$ -	$ 327,780
Fixed income:				
Mutual funds	809,996	-	-	809,996
Common trust funds	-	2,370,583	-	2,370,583
Equities:				
Mutual funds	3,058,464	-	-	3,058,464
Common trust funds	-	1,177,051	-	1,177,051
	$ 4,196,240	$ 3,547,634	$ -	$ 7,743,874

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Deposits with Bond Trustees				
Cash and cash equivalents	$ 30,812	$ -	$ -	$ 30,812

10. FAIR VALUE (Continued)

The objectives of the University's investments valued at NAV as practical expedient are as follows:

- Commingled equity and common trust funds - seek to match the return of the Standard & Poor's 500 Index.
- Long/Short Hedge 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.
- Absolute Return Hedge Funds - seek to achieve long term appreciation with limited correlation to general market indices and limited volatility.
- Private Capital Funds - invests in common, preferred, and debt securities issued by private entities.
- Private Real Estate Funds - invests in fixed income securities, primarily mortgage-backed securities and other real estate funds, for generating attractive, risk-adjusted, absolute returns.
- Real Asset Commingled Funds - invests primarily in marketable equity securities in the energy industry.

The nature and risk of investments valued at NAV as practical expedient by major category are presented as follows at June 30, 2017:

	Fair Value	Unfunded Commitments	Redemption Provisions	Expected Liquidation Terms
Equity commingled funds	$ 127,800,414	$ -	Varies from 100% monthly with 6 days notice to 100% semi-annually with 15-95 days notice	N/A
Long/short hedge funds	24,491,671	-	Varies from 100% quarterly with 30 days notice to no redemption period	N/A
Absolute return hedge funds	34,656,936	3,578,434	Varies from 100% quarterly with up to 90 days notice to no redemption period	N/A
Private capital fund	6,547,830	2,834,724	No redemption period	3 to 10 years
Private real estate fund	285,530	1,762,093	No redemption period	5 to 7 years
Real asset commingled fund	3,844,645	-	15-31 days notice.	N/A
	$ 197,627,026	$ 8,175,251		

11. ENDOWMENT

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 University to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States, 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. The University had funds with deficiencies totaling approximately $4,310 and $238,380, at June 30, 2017 and 2016, respectively.

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 certain 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 5.0% of the weighted average of these investments over the prior twelve quarters for the years ended June 30, 2017 and 2016. The measurement date for the endowment investment return allocation to support operations is March 31 for the subsequent fiscal year which begins on July 1. 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.

Endowment net asset composition by type of fund as of June 30, 2017 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ 102,609,224	$ 130,040,540	$ 232,649,764
Board-designated funds	63,234,273	-	-	63,234,273
Total funds	$ 63,234,273	$ 102,609,224	$ 130,040,540	$ 295,884,037

11. ENDOWMENT (Continued)

Endowment Investment and Spending Policies (Continued)

Endowment net asset composition by type of fund as of June 30, 2016 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ 84,407,283	$ 125,288,765	$ 209,696,048
Board-designated funds	57,897,422	-	-	57,897,422
Total funds	$ 57,897,422	$ 84,407,283	$ 125,288,765	$ 267,593,470

Changes in endowment net assets for the fiscal year ended June 30, 2017 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 57,897,422	$ 84,407,283	$ 125,288,765	$ 267,593,470
Contributions	495,251	-	4,493,287	4,988,538
Transfer from other funds	-	-	258,488	258,488
Net appreciation	7,177,345	26,679,829	-	33,857,174
Amount appropriated for expenditure	(2,335,745)	(8,477,888)	-	(10,813,633)
Endowment net assets, end of year	$ 63,234,273	$ 102,609,224	$ 130,040,540	$ 295,884,037

Changes in endowment net assets for the fiscal year ended June 30, 2016 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 66,496,126	$ 98,592,065	$ 116,997,387	$ 282,085,578
Contributions	24,300	-	7,911,296	7,935,596
Transfer from other funds	-	-	380,082	380,082
Net depreciation	(1,245,621)	(4,024,895)	-	(5,270,516)
Special appropriation	(4,578,230)	-	-	(4,578,230)
Amount appropriated for expenditure	(2,799,153)	(10,159,887)	-	(12,959,040)
Endowment net assets, end of year	$ 57,897,422	$ 84,407,283	$ 125,288,765	$ 267,593,470

12. DEBT OBLIGATIONS

Debt obligations outstanding at June 30 were as follows:

	2017	2016
University:		
Capital lease obligations (a)	$ 117,008	$ 720,447
Term loan guaranty (b)	763,334	904,167
St. Lawrence County Industrial Development Agency Civic Facility Revenue Bonds		
2012 Series (c)	44,430,000	44,430,000
2016 Series (d)	56,335,000	56,335,000
	101,645,342	102,389,614
Unamortized premium and discount, net	9,239,924	9,528,302
Unamortized deferred financing costs	(1,817,655)	(1,874,452)
	$ 109,067,611	$ 110,043,464

12. DEBT OBLIGATIONS (Continued)

a) The University entered into capital lease obligations for laundry, fitness, and IT equipment. The original amount of all the capital lease obligations was $4,524,133 and they bear interest at rates ranging from 2% to 5%. Under the terms of the agreements, the lender has established liens on the related assets. The leases require periodic payments ranging between $13,709 and $88,908, maturing at various dates through August 2018.

b) In June 2015, the University entered into a guaranty of payment and performance on a term loan with a financial institution held by the Canton Day Care Center, Inc. (the Center) in the amount of $1,045,000. The loan term is 6 years, and requires quarterly payments with a $200,000 balloon payment due at final maturity. The loan carries a variable interest rate at prime (4.25% at June 30, 2017). For the years ended June 30, 2017 and 2016, the University made payments of $140,833 and $125,833, respectively, to the financial institution in accordance with the guaranty agreement. As the Center is an unrelated third-party, the University has recorded the guaranty as a debt obligation. As the Center is an unrelated third-party, the University has recorded the guaranty as a debt obligation and recorded a corresponding loan receivable from the Center. The University has a contractual collateralization for the Center to pay the University for advances for loan payments and receipt of interest.

c) In December 2012, the University issued $40,180,000 Series 2012A (Tax-Exempt) St. Lawrence Country Industrial Development Agency Civic Development Corporation Bonds and $4,265,000 Series 2012B (Taxable) St. Lawrence Country Industrial Development Agency Civic Development Corporation Bonds. The proceeds of the bonds were used to advance refund the Dormitory Authority of the State of New York (DASNY) St. Lawrence University Revenue Bonds, Series 2008 remarketed by DASNY on July 1, 2009 in the original principal amount of $46,795,000. The Series 2012A bonds are fixed rate term bonds bearing interest rates from 4% to 5% and maturing in varying amounts through July 1, 2043. The Series 2012B bonds are fixed rate bonds bearing an interest rate of 2.75% and maturing July 1, 2021. 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 statement of financial position net of unamortized premiums of approximately $5,644,000 and $5,865,000 at June 30, 2017 and 2016, respectively, and unamortized deferred financing costs of approximately $783,000 and $814,000 at June 30, 2017 and 2016, 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 approximately $221,000 was reported in the accompanying statements of activities for the years ended June 30, 2017 and 2016.

12. DEBT OBLIGATIONS (Continued)

d) In May 2016, the University issued $56,335,000 of St. Lawrence County Industrial Development Agency Civic Development Corporation Revenue Bonds (St. Lawrence University Project), Series 2016. The bonds consist of $28,115,000 of Series 2016A (Tax-Exempt) Bonds and $28,220,000 of Series 2016B (Taxable) Bonds (collectively, the Series 2016 Bonds). Approximately $50,000,000 of the proceeds from the Series 2016 Bonds were used to fund an escrow held by a trustee and complete a legal defeasance of the University's 2001A and 2005 Bond Series. Part of the proceeds from the Series 2016 Bonds were also used to repay the entire outstanding balance on a construction term loan, in the amount of approximately $2,860,000. The Series 2016A (Tax-Exempt) Bonds bear interest ranging from 3% to 5% per annum through July 1, 2043, the date of maturity. Principal payments on the Series 2016A (Tax-Exempt) Bonds commence July 1, 2026. The Series 2016B (Taxable) Bonds bear interest at 4.429% per annum through July 1, 2056, the date of maturity. Interest payments on the Series 2016 Bonds are due semiannually on July 1 and January 1 through maturity, commencing July 1, 2016. As a result of the defeasance, the University incurred a loss of approximately $655,000 in 2016, which represents the write-off of unamortized financing costs on the 2001A and 2005 Bonds. The bonds are reported in the statement of financial position net of unamortized premiums of approximately $3,595,000 and $3,663,000 at June 30, 2017 and 2016, respectively, and unamortized deferred financing costs of approximately $1,034,000 and $1,060,000 at June 30, 2017 and 2016, 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 approximately $92,000 and $8,000 for the years ended June 30, 2017 and 2016, respectively, was reported in the accompanying statements of activities.

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 through interest expense over the life of the related debt. Amortization was approximately $57,000 and $91,000 for the years ended June 30, 2017 and 2016, respectively.

At June 30, 2017, annual principal requirements were as follows:

2018	$ 1,153,450
2019	1,090,224
2020	1,100,833
2021	1,330,835
2022	1,015,000
Thereafter	95,955,000
	$ 101,645,342

Interest expense, net of amortization of bond premiums and discounts, and including amortization of deferred financing costs, was approximately $4,406,000 and $4,007,000 for the years ended June 30, 2017 and 2016, respectively.

Interest Rate Swap Agreements

In October 2005, the University entered into an interest rate swap agreement with an expiration date of October 2031, in order to fix the interest rate on a variable rate debt instrument. The initial notional amount of the swap was $41,400,000. Under the agreement, the University paid the counterparty interest at a fixed rate of 3.634% and received a variable interest payment at a floating rate of 68% of 10-year-LIBOR. In 2010, the University terminated 50% of the swap with a cash payment of $984,275. The remainder was terminated in July 2015, with a cash payment of approximately $2,400,000. A loss of $20,207 was recorded upon termination.

12. DEBT OBLIGATIONS (Continued)

Forward Exchange Contracts

St. Lawrence University operates a number of foreign programs around the world, which requires that it fund operations in foreign currencies. The University periodically hedges for its programs in France, Spain, and the United Kingdom by utilizing forward contracts for approximately half of their foreign currency requirements. During the year ended June 30, 2016, the University contracted with a financial institution to purchase 337,500 pounds for $528,468 and 545,000 euros for $611,194. The University did not purchase any forward contracts during the year ended June 30, 2017. There were no forward contracts outstanding at June 30, 2017 or June 30, 2016.

Line-of-Credit

In June 2016, the University obtained a $15,000,000 revolving line-of-credit, which is uncollateralized and matures in June 2019. There were no outstanding balances under this credit facility as of June 30, 2017 and 2016.

13. 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 contributions under these plans were approximately $4,370,000 and $4,198,000 in 2017 and 2016, 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 detailed below.

(c) Previously, the University 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 became covered by Excellus Healthy Blue, a fully insured, experience-rated plan. All nonunion retirees (current and future) over age 65 are no longer covered by the University's health plan and have the option of enrolling in a Medicare Advantage Plan. The measurement date of the plan is June 30 and information with respect to this plan is detailed below.

13. BENEFIT PLANS (Continued)

Funded Status

A summary of the pension and postretirement benefit plans' funded status and amounts recognized in the University's statements for the years ended June 30 is as follows:

	Pension Benefits		Postretirement Benefits	
	2017	2016	2017	2016
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 1,996,618	$ 2,324,615	$ 4,869,920	$ 4,629,418
Service cost	30,000	33,000	543,261	518,744
Interest cost	26,412	62,668	102,750	157,272
Plan participants' contributions	-	-	45,526	54,327
Settlements	(315,026)	(167,197)	-	-
Benefits paid	(154,070)	(138,281)	(238,661)	(330,839)
Actuarial gains	(168,181)	(118,187)	(907,216)	(159,002)
Benefit obligation at end of period	$ 1,415,753	$ 1,996,618	$ 4,415,580	$ 4,869,920
Change in plan assets:				
Fair value of assets, beginning of year	$ 2,301,988	$ 2,543,995	$ -	$ -
Actual return on assets	179,461	39,171	-	-
Employer contributions	-	24,300	193,135	276,512
Plan participants' contributions	-	-	45,526	54,327
Settlements	(315,027)	(167,197)	-	-
Benefits paid	(154,070)	(138,281)	(238,661)	(330,839)
Fair value of assets, end of year	2,012,352	2,301,988	-	-
Funded status	$ 596,599	$ 305,370	$ (4,415,580)	$ (4,869,920)

Financial Statement Recognitions

As of June 30, the following amounts were recognized in the statements of financial position:

	Pension Benefits		Postretirement Benefits	
	2017	2016	2017	2016
Asset (liability), recorded as a net liability	$ 596,599	$ 305,370	$ (4,415,580)	$ (4,869,920)

Amounts recognized in the statements of activities and changes in net assets for the year ended June 30 consist of:

	Pension Benefits		Postretirement Benefits	
	2017	2016	2017	2016
Net periodic benefit cost	$ (61,911)	$ (30,721)	$ (255,133)	$ (1,312,650)
Postretirement benefit related changes and other than net periodic benefit cost	$ (229,319)	$ (30,969)	$ (6,072)	$ 1,829,664

13. BENEFIT PLANS (Continued)

Financial Statement Recognitions (Continued)

As of June 30, 2017, the following items included in net assets had not yet been recognized as components of benefits expense:

	Pension Benefits		Postretirement Benefits	
	Prior Service Credit	Net Gain (Loss)	Prior Service Credit	Net Gain (Loss)
Unrecognized amounts at June 30, 2017	$ -	$ 23,130	$ 35,918	$ (698,504)
Expected amortization of unrecognized items in next year's expense	$ -	$ -	$ 14,895	$ (41,577)

Assumptions

Weighted average assumptions used to determine benefit obligations at June 30, were as follows:

	Pension Benefits		Postretirement Benefits	
	2017	2016	2017	2016
Discount rate	3.03%	2.74%	3.45%	3.06%
Salary increase	N/A	N/A	4.00%	4.00%

	2017	2016
Health care cost trend rate assumed for next year	5.95%	6.13%
Prescription drug cost trend rate assumed for next year	8.49%	9.32%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2038	2038

Weighted average assumptions used to determine net periodic benefit cost at June 30, were as follows:

	Pension Benefits		Postretirement Benefits	
	2017	2016	2017	2016
Discount rate	2.74%	3.00%	3.06%	3.60%
Expected return on assets	6.25%	6.25%	N/A	N/A
Salary increase	N/A	N/A	4.00%	4.00%

	2017	2016
Health care cost trend rate assumed	6.32%	7.09%
Prescription drug cost trend rate assumed	9.32%	10.16%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50%	4.50%
Year that the rate reaches the ultimate trend rate	2038	2038

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

13. BENEFIT PLANS (Continued)

Assumptions (Continued)

Assumed mortality incidence is based on the RP-2014 Mortality Tables with no collar adjustments and separate rates for males/females and annuitants/non-annuitants, adjusted to remove post-2006 projection factors and projected generationally using Scale MP-2016.

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 as of June 30, 2017:

	1% Point Increase	1% Point Decrease
Effect on total service and interest cost components	$ 36,964	$ (34,163)
Effect on postretirement benefit obligation	$ 113,787	$ (108,219)

Plan Assets

The University consults with its Investment Committee and the University's third-party investment advisor regarding appropriate investment and allocation of the plan's assets.

The pension plan investments consisted of the following at June 30:

	2017	2016
State Street Global Advisors Treasury Fund	$ 219,577	$ 120,249
Treasury Bill – Fixed Income	1,792,776	-
PIMCO Total Return Fund	-	1,268,173
Vanguard Pacific Stock Index Fund	-	202,034
Vanguard European Stock Index Fund	-	210,376
Vanguard 500 Index Fund	-	501,156
	$ 2,012,353	$ 2,301,988

The fair value of the University's pension plan investments at June 30, 2017, was determined using the following input levels:

Description	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Investments	$ 2,012,353	$ -	$ -	$ 2,012,353

The fair value of the University's pension plan investments June 30, 2016, was determined using the following input levels:

Description	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Investments	$ 2,301,988	$ -	$ -	$ 2,301,988

Contributions

The University expects that there will be approximately $432,000 in contributions to the post retirement plan and zero contributions to the pension plan in 2018.

13. BENEFIT PLANS (Continued)

Estimated Future Benefit Payments

The following approximate employer benefit payments, which reflect future service, are expected to be paid for the fiscal years ending June 30:

	Pension Benefits	Postretirement Benefits
2018	$ 612,000	$ 432,000
2019	$ 315,000	$ 469,000
2020	$ 152,000	$ 505,000
2021	$ 99,000	$ 574,000
2022	$ 55,000	$ 614,000
2023 - 2027	$ 173,000	$ 3,293,000

14. COMMITMENTS AND CONTINGENCIES

The University is committed to acquire most of the electricity required to power its campus on a fixed priced contract ending December 2019. The fixed price was based on an annual estimated consumption of 15.7 million Kwh for total electric supply cost of approximately $697,000 annually. The cost associated with this contract is recognized as incurred.

Additionally, the University has entered into contracts to purchase electricity in future periods from two third-parties that have constructed, own, and will operate a solar facility and a hydroelectric facility. The hydroelectric facility has been operating since October 2016, and the solar facility is expected to become operational in the spring of 2018. These facilities will provide electricity to the grid and through monetary remote net metering; the economics of the transactions are transferred to the University. The costs or benefits associated with these contracts are recognized as incurred.

The University is committed to acquire natural gas to heat its campus on a fixed price contract ending November 2017. The fixed price is based on annual estimated consumption of 394 MMBtus/Day. The University’s projected annual cost for the final year of the contract, October 2016 through November 2017, is $588,000. In June 2016, the University entered a new fixed price contract to acquire natural gas for the period November 2017 through October 2022. This contract is also based on an annual estimated consumption of 394 MMBtus/Day. The University’s projected annual cost associated with this contract is $430,000. In August 2016, the University entered an additional fixed priced contract to acquire natural gas for the service period November 2016 through October 2019. The pricing on this contract is 40% fixed and 60% variable and is based on annual estimated natural gas consumption of 131 MMBtus/Day. The University believes that the combined effect of these contracts is to fix pricing for 85% of its annual natural gas requirements through October 31, 2019; and to fix pricing for 75% of its annual gas requirements from November 1, 2019 through October 31, 2022.

The University is subject to various legal 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 as the actions are 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.

15. INSURED RISKS

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 University's liability for estimated workers' compensation claims was approximately $246,000 and $279,000 at June 30, 2017 and 2016, respectively, which is included in accounts payable and accrued expenses in the consolidated statements of financial position. The University has programs to insure other risks that include property, liability, and cyber-security in the commercial markets.

16. SUBSEQUENT EVENTS

Subsequent to year end, the University terminated its supplemental retirement defined benefit pension plan (the Plan) due to continual declines in plan membership. The Plan’s termination is not expected to have a material impact on the University’s consolidated financial statements. As part of the termination, the University was not required to make an additional contribution into the Plan, as the Plan was fully funded. Plan assets were liquidated and used to purchase annuity contracts for participants.

Subsequent events have been evaluated through October 20, 2017, which is the date the financial statements were issued.

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

October 20, 2017

To the Board of Trustees of
St. Lawrence University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of St. Lawrence University and Subsidiaries (collectively, the University), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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(Continued)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bonadio & Co., LLP