



# **The Colleges of the Seneca**

**Financial Statements**

**May 31, 2004 and 2003**

**Report of Independent Auditors**

To the Board of Trustees  
The Colleges of the Seneca

In our opinion, the accompanying statements of financial position and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of The Colleges of the Seneca (the "Colleges") at May 31, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Colleges' 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, which 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.

*PricewaterhouseCoopers LLP*

July 30, 2004

**The Colleges of the Seneca**  
**Statements of Financial Position**  
**May 31, 2004 and 2003**

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	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 13,354,340	\$ 10,472,914
Short-term investments	4,246,470	4,298,474
Deposits with trustee of debt obligations	16,961,435	22,238,259
Accounts receivable, net of allowance of \$332,000 and \$425,000 in 2004 and 2003, respectively	2,768,822	1,620,710
Notes receivable, net of allowance of \$128,000 in 2004 and 2003	2,014,939	1,982,864
Inventories	528,687	623,320
Other assets	1,982,100	1,715,718
Contributions receivable	10,490,081	18,231,119
Long-term investments	137,659,860	127,201,338
Land, buildings and equipment, net	<u>86,042,515</u>	<u>78,218,617</u>
Total assets	<u>\$ 276,049,249</u>	<u>\$ 266,603,333</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 5,409,538	\$ 5,566,898
Deferred revenue and deposits	2,222,443	2,396,921
Deferred giving liabilities	2,007,574	1,951,546
Refundable advances from government loan programs	2,202,658	2,121,624
Borrowings	<u>42,026,363</u>	<u>45,183,986</u>
Total liabilities	<u>53,868,576</u>	<u>57,220,975</u>
<b>Net assets</b>		
Unrestricted	125,541,957	116,908,618
Temporarily restricted	20,108,928	20,403,065
Permanently restricted	<u>76,529,788</u>	<u>72,070,675</u>
Total net assets	<u>222,180,673</u>	<u>209,382,358</u>
Total liabilities and net assets	<u>\$ 276,049,249</u>	<u>\$ 266,603,333</u>

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

**The Colleges of the Seneca**  
**Statement of Activities**  
**Year Ended May 31, 2004**  
**(with comparative totals for 2003)**

	2004			Total	2003 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Operating Revenues</b>					
Tuition and fees,					
net of scholarships	\$ 32,125,728	\$ -	\$ -	\$ 32,125,728	\$ 29,759,110
Sales and services of auxiliaries	14,310,956	-	-	14,310,956	13,658,160
Government grants and contracts	1,681,099	-	-	1,681,099	1,649,027
Private gifts and grants	3,628,838	50,476	-	3,679,314	3,687,165
Endowment spending	6,299,504	370,036	-	6,669,540	6,049,704
Other investment income	1,319,648	4,660	-	1,324,308	1,243,519
Other	241,300	7,355	-	248,655	243,233
Net assets released from restrictions	283,314	(283,314)	-	-	-
Total operating revenues	<u>59,890,387</u>	<u>149,213</u>	<u>-</u>	<u>60,039,600</u>	<u>56,289,918</u>
<b>Operating Expenses</b>					
Instruction	20,634,437	-	-	20,634,437	18,067,148
Academic support	6,741,867	-	-	6,741,867	5,982,396
Student services	12,601,067	-	-	12,601,067	11,987,468
Institutional support	9,101,650	-	-	9,101,650	9,080,861
Auxiliaries operations	10,450,311	-	-	10,450,311	10,246,890
Total operating expenses	<u>59,529,332</u>	<u>-</u>	<u>-</u>	<u>59,529,332</u>	<u>55,364,763</u>
Change in net assets from operating activities	<u>361,055</u>	<u>149,213</u>	<u>-</u>	<u>510,268</u>	<u>925,155</u>
<b>Nonoperating Revenues (Expenses)</b>					
Investment return	6,154,584	684,939	255,730	7,095,253	(8,698,789)
Capital gifts	91,852	1,069,069	4,747,319	5,908,240	10,118,968
Capital campaign expense	(766,094)	-	-	(766,094)	(149,356)
Other revenue (expense), net	714,639	99,663	(696,523)	117,779	(821,072)
Change in value of deferred giving arrangements	28,703	(248,421)	152,587	(67,131)	(125,294)
Net assets released from restrictions	2,048,600	(2,048,600)	-	-	-
Change in net assets from nonoperating activities	<u>8,272,284</u>	<u>(443,350)</u>	<u>4,459,113</u>	<u>12,288,047</u>	<u>324,457</u>
Net increase (decrease) in net assets	8,633,339	(294,137)	4,459,113	12,798,315	1,249,612
Net assets, beginning of year	<u>116,908,618</u>	<u>20,403,065</u>	<u>72,070,675</u>	<u>209,382,358</u>	<u>208,132,746</u>
Net assets, end of year	<u>\$ 125,541,957</u>	<u>\$ 20,108,928</u>	<u>\$ 76,529,788</u>	<u>\$ 222,180,673</u>	<u>\$ 209,382,358</u>

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

**The Colleges of the Seneca**  
**Statement of Activities**  
**Year Ended May 31, 2003**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating Revenues</b>				
Tuition and fees, net of scholarships	\$ 29,759,110	\$ -	\$ -	\$ 29,759,110
Sales and services of auxiliaries	13,658,160	-	-	13,658,160
Government grants and contracts	1,649,027	-	-	1,649,027
Private gifts and grants	3,675,881	11,284	-	3,687,165
Endowment spending	5,711,918	337,786	-	6,049,704
Other investment income	1,235,881	7,638	-	1,243,519
Other	227,687	15,546	-	243,233
Net assets released from restrictions	253,939	(253,939)	-	-
Total operating revenues	<u>56,171,603</u>	<u>118,315</u>	<u>-</u>	<u>56,289,918</u>
<b>Operating Expenses</b>				
Instruction	18,067,148	-	-	18,067,148
Academic support	5,982,396	-	-	5,982,396
Student services	11,987,468	-	-	11,987,468
Institutional support	9,080,861	-	-	9,080,861
Auxiliaries operations	10,246,890	-	-	10,246,890
Total operating expenses	<u>55,364,763</u>	<u>-</u>	<u>-</u>	<u>55,364,763</u>
Change in net assets from operating activities	<u>806,840</u>	<u>118,315</u>	<u>-</u>	<u>925,155</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment return	(8,753,242)	(582,298)	636,751	(8,698,789)
Capital gifts	417,433	5,835,041	3,866,494	10,118,968
Capital campaign expense	(149,356)	-	-	(149,356)
Other revenue (expense), net	(308,537)	(512,535)	-	(821,072)
Change in value of deferred giving arrangements	-	(125,079)	(215)	(125,294)
Net assets with changed restrictions	(513,519)	143,450	370,069	-
Net assets released from restrictions	105,950	(105,950)	-	-
Change in net assets from nonoperating activities	<u>(9,201,271)</u>	<u>4,652,629</u>	<u>4,873,099</u>	<u>324,457</u>
Net increase (decrease) in net assets	<u>(8,394,431)</u>	<u>4,770,944</u>	<u>4,873,099</u>	<u>1,249,612</u>
Net assets, beginning of year	<u>125,303,049</u>	<u>15,632,121</u>	<u>67,197,576</u>	<u>208,132,746</u>
Net assets, end of year	<u>\$ 116,908,618</u>	<u>\$ 20,403,065</u>	<u>\$ 72,070,675</u>	<u>\$ 209,382,358</u>

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

**The Colleges of the Seneca**  
**Statements of Cash Flows**  
**Years Ended May 31, 2004 and 2003**  
**Increase (Decrease) in Cash and Cash Equivalents**

	2004	2003
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 12,798,315	\$ 1,249,612
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,099,823	3,810,946
Provision for uncollectible contributions receivable	300,412	252,421
Loss on disposal of land, buildings and equipment	111,583	36,258
Change in value of deferred giving arrangements	56,028	104,034
Contributions restricted for long-term investment	(13,010,541)	(6,351,077)
Interest and dividends restricted for long-term investment	(235,537)	(626,643)
Net realized and unrealized (gains) losses on long-term investments	(12,001,148)	4,318,274
Change in assets and liabilities:		
Accounts receivable	(1,148,112)	(116,494)
Inventories	94,633	27,832
Contributions receivable	7,440,626	(3,404,680)
Other assets	(362,298)	(61,318)
Accounts payable	(1,049,165)	591,732
Deferred revenues and deposits	(174,478)	(309,690)
Net cash used in operating activities	<u>(3,079,859)</u>	<u>(478,793)</u>
<b>Cash flows from investing activities</b>		
Acquisition of land, buildings and equipment, net	(11,066,237)	(8,836,076)
Increase (decrease) in deposits with trustee of debt obligation	5,276,824	(17,073,161)
Notes issued	(375,600)	(333,600)
Proceeds from note collections	343,525	458,772
Proceeds from sale of investments	108,100,800	84,145,901
Purchase of investments	<u>(106,506,170)</u>	<u>(84,675,687)</u>
Net cash used in investing activities	<u>(4,226,858)</u>	<u>(26,313,851)</u>
<b>Cash flows from financing activities</b>		
Proceeds from contributions for		
Investment in endowment	5,576,431	4,220,420
Investment in plant	7,311,653	1,881,802
Investment subject to deferred giving arrangements	122,457	248,855
Interest and dividends restricted for reinvestment	235,537	626,643
Increase in refundable advances from government loan programs	81,034	71,516
Increase in deferred financing costs	-	(768,349)
Capital lease buyout	(1,002,969)	-
Proceeds from issuance of long-term debt	-	22,838,168
Payment of long-term debt	<u>(2,136,000)</u>	<u>(2,031,229)</u>
Net cash provided by financing activities	<u>10,188,143</u>	<u>27,087,826</u>
Net increase in cash and cash equivalents	2,881,426	295,182
<b>Cash and cash equivalents</b>		
Beginning of year	<u>10,472,914</u>	<u>10,177,732</u>
End of year	<u>\$ 13,354,340</u>	<u>\$ 10,472,914</u>
<b>Supplemental data</b>		
Interest paid including capitalized interest of \$651,000 and \$467,000	\$ 1,981,835	\$ 954,381
Gift in kind	-	93,010
<b>Non-cash financing activities</b>		
Construction related payables	891,805	1,130,041

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

**The Colleges of the Seneca**  
**Notes to Financial Statements**  
**May 31, 2004 and 2003**

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**1. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting.

**Net Asset Classes**

The accompanying financial statements present information regarding the Colleges' financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The three classes are differentiated by the presence or absence of donor restrictions.

*Unrestricted net assets* may be designated for specific purposes by the Colleges or may be limited by contractual agreements with outside parties. Unrestricted net assets include operating, plant, and internally designated plant and funds functioning as endowment funds.

*Temporarily restricted net assets* are subject to donor stipulations that expire by the passage of time or can be fulfilled or removed by actions pursuant to the stipulations. Temporarily restricted net assets consist principally of gifts restricted by donors for capital projects and other operating purposes, deferred giving arrangements and unconditional pledges receivable that are not permanently restricted.

*Permanently restricted net assets* are subject to donor stipulations requiring that they be maintained permanently, thereby restricting the use of principal. Usually, donor stipulations allow part or all of the income earned to be used currently for a restricted purpose such as scholarships or professorships. Permanently restricted net assets consist principally of permanent endowment principal balances, including unconditional pledges restricted for true endowment.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets as "net assets released from restrictions". Temporarily restricted contributions received and expended for the restricted purpose in the same fiscal year are recorded as unrestricted net assets.

Nonoperating activities reflect transactions of a capital nature, that is, contributions to be used for facilities and equipment or to be invested by the Colleges to generate a return that will support operations.

**Contributions**

Contributions, including unconditional pledges, are recognized as revenues when donors' commitments are received. Conditional pledges are recognized as revenues when the conditions are substantially met. Unconditional pledges 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. Contributions specified for the acquisition or construction of long-lived assets are reported as unrestricted net assets when the assets are placed in service.

Costs incurred by the Colleges in obtaining donor contributions were approximately \$2,587,000 and \$1,923,000 in 2004 and 2003, respectively. Approximately \$766,000 and \$149,000 for 2004 and 2003, respectively, of those costs were associated with the activities of the current capital campaign.

**The Colleges of the Seneca**  
**Notes to Financial Statements**  
**May 31, 2004 and 2003**

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**Investments and Investment Income**

Investments are carried at fair value. Fair value is determined principally on the basis of quoted market prices. The majority of limited partnership investments are carried at estimated fair value using information obtained from the general partner or investment manager for the respective funds as of May 31, 2004 and 2003. The Colleges believe that the carrying amount of these limited partnership investments is a reasonable estimate of fair value. The Colleges have an investment commitment of approximately \$576,000 at May 31, 2004, to a private equity partnership.

Realized gains and losses on the sale of investments are determined using the specific identification method. Investment return is reported in the statement of activities and the notes to the financial statements net of management and custodial fees of approximately, \$1,811,000 and \$1,112,000 for 2004 and 2003, respectively and performance fees of \$586,000 for 2004.

**Total Return Spending Policy**

The Colleges employ a total return spending policy which recognizes for spending purposes income equal to a percentage of a multi-year moving average of the unit value of pooled investments. The percentage was 5.4% and 5.5% in 2004 and 2003, respectively. In any given year the amount availed from the pooled investments may, therefore, be greater or less than the dividend or interest yield for that year. Investment returns earned in excess of the spending policy are classified as nonoperating revenue, any shortfall is made up from historically earned capital appreciation.

**Deferred Giving Arrangements**

The Colleges' deferred giving arrangements consist primarily of gift annuities, pooled life income funds and charitable remainder trusts. Deferred giving assets are included in long-term investments at their fair value. Contribution revenues are recognized at the date the arrangements 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 arrangements 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 deferred giving liabilities represent the net present value of future cash outflows over the beneficiary's life expectancy as required by the deferred gift agreements.

**Funds Held in Trust by Others**

Contributions receivable includes funds held in trust by others which represent resources neither in the possession nor under the control of the Colleges, but paid and administered by outside trustees, with the Colleges deriving income or a residual interest from the assets of such funds. Funds held in trust by others are recognized at the estimated fair value of the assets which approximates the net present value of the future cash flows when the irrevocable trust is established or the Colleges are notified of its existence and are subsequently adjusted for changes in the fair value annually.

**Land, Buildings and Equipment**

Grounds, site improvements, buildings, equipment and library books are recorded at cost at the date of acquisition or their fair market value at the date of donation, less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of the site improvements (20 years), buildings (15-45 years), equipment (5-20 years) and library books (20 years).

**Inventories**

Inventories are stated at the lower of cost (first-in; first-out) or market.



**The Colleges of the Seneca**  
**Notes to Financial Statements**  
**May 31, 2004 and 2003**

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**Cash and Cash Equivalents**

Cash investments with a maturity of three months or less when purchased are reported as cash equivalents, unless they are part of long-term investment pools.

**Income Taxes**

The financial statements do not provide for income taxes as the Colleges are tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

**Allocation of Certain Expenses**

The statement of activities presents expenses by functional classification. Operation and maintenance of plant, depreciation and interest expense are allocated based on square footage.

**Deposits with Trustee of Debt Obligations**

Deposits with trustee of debt obligations represent debt service and certain reserve funds required by the trustee. Included in deposits with trustee is \$16,532,284 and \$22,130,296 of unexpended bond proceeds at May 31, 2004 and 2003, respectively.

**Use of 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.

**Risks and Uncertainties**

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 risk in the near term could materially affect the amounts reported in the statement of financial position and the statement of activities.

**Reclassifications**

The accompanying financial statements as of and for the year ended May 31, 2003 include reclassifications, to conform to the 2004 presentation.

**The Colleges of the Seneca**  
**Notes to Financial Statements**  
**May 31, 2004 and 2003**

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**2. Contributions Receivable**

Unconditional contributions receivable at May 31, 2004 and 2003 are restricted by donors predominantly for scholarships and capital projects. They are expected to be realized in the following periods:

	<b>2004</b>	<b>2003</b>
Less than one year	\$ 4,746,808	\$ 9,033,015
One year to five years	5,811,702	7,125,700
Over five years	350,000	1,131,000
	<u>10,908,510</u>	<u>17,289,715</u>
Less allowance for uncollectibility of approximately \$1,024,000 and \$814,000; and present value discount of approximately \$385,000 and \$700,000	<u>(1,408,661)</u>	<u>(1,514,377)</u>
	9,499,849	15,775,338
Charitable remainder and perpetual trusts	<u>990,232</u>	<u>2,455,781</u>
	<u>\$ 10,490,081</u>	<u>\$ 18,231,119</u>

**3. Investments**

Cash and cash equivalents consist primarily of interest bearing money market accounts. Investments are summarized as follows:

	<b>2004</b>		<b>2003</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
Cash and cash equivalents	\$ 2,309,836	\$ 2,309,836	\$ 3,624,551	\$ 3,624,551
Fixed income	10,262,099	14,538,006	31,674,321	39,644,297
Common stock	58,415,885	63,094,485	47,076,830	46,315,559
Limited partnerships	45,521,290	61,964,003	30,680,353	41,915,405
	<u>\$ 116,509,110</u>	<u>\$ 141,906,330</u>	<u>\$ 113,056,055</u>	<u>\$ 131,499,812</u>

Certain assets are pooled on a fair value basis; purchases or dispositions of units are at fair value per unit at the time in which the transaction takes place. The following table summarizes information on the pooled investments.

	<b>2004</b>	<b>2003</b>
Pooled investments		
Fair value	\$ 123,235,929	\$ 111,303,978
Cost	\$ 102,550,281	\$ 99,431,702
Fair value per unit	\$3.14	\$2.95
Spending rate per unit	0.17	0.19

**The Colleges of the Seneca**  
**Notes to Financial Statements**  
**May 31, 2004 and 2003**

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In accordance with its spending policy on endowment and other investments the Colleges' return on investments was as follows:

	<b>2004</b>	<b>2003</b>
Dividends and interest	\$ 3,087,953	\$ 2,912,708
Net realized and unrealized gains (losses)	12,001,148	(4,318,274)
Total return on investments	<u>15,089,101</u>	<u>(1,405,566)</u>
Investment return designated for current operations	<u>7,993,848</u>	<u>7,293,223</u>
Investment return greater than (less than) amounts designated for current operations	<u>\$ 7,095,253</u>	<u>\$ (8,698,789)</u>

**4. Endowment Funds**

Endowment funds generally represent donor restricted gifts and matured bequests, to provide a permanent endowment, including a permanent income stream. The portion of permanent endowments that may not be expended are classified as permanently restricted net assets. Board designated endowments (e.g., funds functioning as endowments) are internally designated funds that are invested to provide income for a long but unspecified period. Board designated endowments are not donor restricted and are classified as unrestricted net assets.

	<b>2004</b>	<b>2003</b>
Funds functioning as endowment	\$ 56,238,533	\$ 53,984,303
Term endowment - temporarily restricted net assets	2,814,457	2,255,610
Permanent endowment - permanently restricted net assets	<u>76,047,666</u>	<u>70,349,153</u>
	<u>\$ 135,100,656</u>	<u>\$ 126,589,066</u>

These endowment funds include \$4,721,174 and \$6,284,291 in amounts pledged and not received in 2004 and 2003, respectively. Funds functioning as endowment are comprised of quasi endowment funds totaling \$20,393,455 and \$24,191,829 at May 31, 2004 and 2003, respectively, and cumulative appreciation of permanent endowment funds totaling \$35,845,078 and \$29,792,474 at May 31, 2004 and 2003, respectively.

**The Colleges of the Seneca**  
**Notes to Financial Statements**  
**May 31, 2004 and 2003**

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**5. Land, Buildings and Equipment**

The components of land, buildings and equipment, including leased assets, as of May 31, 2004 and 2003 were as follows:

	<b>2004</b>	<b>2003</b>
Grounds	\$ 3,209,954	\$ 3,209,954
Site improvements	6,280,452	6,078,966
Buildings, including leased assets of \$4,495,023 in 2003	88,515,316	77,903,529
Equipment, including leased assets of \$229,948 in 2003	19,332,428	17,739,932
Library books	11,901,528	11,172,081
Construction in progress	6,192,176	7,678,078
	<u>135,431,854</u>	<u>123,782,540</u>
Accumulated depreciation	(49,389,339)	(45,563,923)
	<u>\$ 86,042,515</u>	<u>\$ 78,218,617</u>

Depreciation expense amounted to \$4,022,561 and \$3,737,063 in 2004 and 2003, respectively.

Estimated costs to complete construction in progress at May 31, 2004 are \$16,281,000.

**6. Borrowings**

**Bonds Payable and Term Note**

Borrowings consist of the following at May 31:

	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>2004</b>	<b>2003</b>
City of Geneva Industrial Development Agency Revenue Bonds (a):					
Series 1997	2007	4.0 - 5.0%	\$ 18,065,000	\$ 6,135,000	\$ 8,000,000
Series 2001	2031	4.0 - 5.2%	10,120,000	9,780,000	9,955,000
Series 2003A	2033	3.0 - 5.0%	20,000,000	20,000,000	20,000,000
Series 2003B	2023	4.8%	2,115,000	2,115,000	2,115,000
Net bond premium				672,363	691,017
				<u>\$ 38,702,363</u>	<u>\$ 40,761,017</u>
Manufacturers and Traders Trust Company Term Note (b)	2023	6.8%	3,750,000	3,324,000	-
Odell's Pond Capital Lease (b)	2022	8.0%	4,724,971	-	4,422,969
				<u>\$ 42,026,363</u>	<u>\$ 45,183,986</u>

(a) The bonds are collateralized by the related property and equipment. In addition, the agreements require the establishment of sinking funds which are included in deposits with trustee of debt obligations.

**The Colleges of the Seneca**  
**Notes to Financial Statements**  
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- (b) Effective June 30, 2003, the Colleges terminated the capital lease with the developer which required a one-time buyout payment, of approximately \$1,900,000. In addition, the Colleges assumed the Manufacturers and Traders Trust Company Term Note. The note's original issue amount was \$3,750,000 and was assumed by the Colleges at its June 30, 2003 value of \$3,420,000. Interest on the note is fixed at 6.98% through 2013, at which time the rate becomes variable at LIBOR plus 2% until maturity in 2023.

The following represents payments on bonds payable and term note:

2005	\$ 2,221,000
2006	2,326,000
2007	2,451,000
2008	681,000
2009	742,000
Thereafter	<u>32,933,000</u>
	41,354,000
Net bond premium	<u>672,363</u>
	<u>\$ 42,026,363</u>

**Lines of Credit**

The Colleges maintain a line of credit for \$1,000,000, which was unused during 2004 and 2003.

**7. Net Tuition and Fees**

Tuition and fees revenues and scholarship expenditures are summarized in the following table:

	<b>2004</b>	<b>2003</b>
Tuition and fees	\$ 53,665,525	\$ 50,359,789
Institutionally funded scholarships	(21,071,930)	(20,186,791)
Government funded grants	(467,867)	(413,888)
Net tuition and fees	<u>\$ 32,125,728</u>	<u>\$ 29,759,110</u>

**8. Retirement Plan**

The Colleges participate in contributory retirement plans administered by the Teachers Insurance Annuity Association of America (TIAA) and College Retirement Equities Fund (CREF) for full-time employees. The Colleges' policy is to accrue the costs of these defined contribution plans currently. Total pension expense charged to operations relating to these plans was approximately \$1,981,000 and \$1,849,000 for 2004 and 2003, respectively.

The Colleges implemented a phased retirement plan and a retirement plan with postretirement healthcare benefits for faculty. Eligible faculty who elect retirement under the plan with postretirement healthcare benefits and are between the ages of 60 and 65 receive healthcare coverage through the Colleges until they are Medicare eligible. Beginning June 1, 2002 eligible faculty may elect retirement under the plan by June 30 to commence June 30 of the following year (i.e. one year notice).

**The Colleges of the Seneca**  
**Notes to Financial Statements**  
**May 31, 2004 and 2003**

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**9. Fair Value of Financial Instruments**

**Cash**

The carrying amount of cash approximates fair value.

**Bonds Payable**

The following represents estimated fair value of the Colleges' bonds payable at May 31, 2004:

	<b>Carrying Value</b>	<b>Fair Value</b>
Series 1997	\$ 6,135,000	\$ 6,416,434
Series 2001	9,780,000	9,873,348
Series 2003A	20,000,000	20,443,273
Series 2003B	2,115,000	2,068,745
	<u>\$ 38,030,000</u>	<u>\$ 38,801,800</u>

**Notes Receivable**

Notes receivable are principally amounts due from students under federally sponsored loan programs which are subject to significant restrictions. Accordingly, it is not practicable to determine the fair value of such amounts.