FINANCIAL INSTITUTIONS INC
Form 11-K
June 30, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

|X| ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

|_| TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-26481

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

FINANCIAL INSTITUTIONS, INC. 401(k) PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

FINANCIAL INSTITUTIONS, INC.
220 Liberty Street
Warsaw, NY 14569

REQUIRED INFORMATION

99.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CFO)

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

FINANCIAL INSTITUTIONS, INC. 401(k) PLAN

Date: June 30, 2003

/s/ Peter G. Humphrey

Peter G. Humphrey
President and Chief Executive Officer

FINANCIAL INSTITUTIONS, INC.
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Financial Statements and Schedule

December 31, 2002 and 2001

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

The Participants and Plan Administrator
Financial Institutions, Inc. 401(k) Plan:

We have audited the accompanying statements of net assets available for benefits of Financial Institutions, Inc. 401(k) Plan as of December 31, 2002 and 2001, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements, referred to above, of Financial Institutions, Inc. 401(k) Plan as of December 31, 2002 and 2001, and for the years then ended present fairly, in all material respects, the financial status of Financial Institutions, Inc. 401(k) Plan as of December 31, 2002 and 2001 and changes in its financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. Supplemental Schedule H, Line 4i - Schedule of Assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

June 20, 2003

FINANCIAL INSTITUTIONS, INC.
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Statements of Net Assets Available for Benefits

December 31, 2002 and 2001

	2002	2001
Assets:		
Investments, at fair value:		
Mutual funds	$14,257,058	--
Financial Institutions, Inc. common stock	598,239	--

Investments in pooled separate accounts (note 3)	--	14,770,897
Participants loans	316,081	238,598
Total investments	15,171,378	15,009,495
Receivables:		
Employer contribution	14,795	5,292
Participant contributions	46,123	26,860
Dividends	20,407	--
Total receivables	81,325	32,152
Net assets available for benefits	$15,252,703	15,041,647

See accompanying notes to financial statements.

FINANCIAL INSTITUTIONS, INC.
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Statements of Changes in Net Assets Available for Benefits

Years ended December 31, 2002 and 2001

	2002	2001
Additions:		
Additions to net assets attributed to:		
Investment income (loss):		
Net depreciation in fair value of investments	$ (1,786,259)	(1,303,929)
Interest from participant loans	27,299	23,072
Total investment loss	(1,758,960)	(1,280,857)
Contributions and transfers:		
Transfers in from other plans	618,609	4,023,612
Participant	1,711,559	1,224,328
Employer	730,363	550,176
Total contributions and transfers	3,060,531	5,798,116
Total additions	1,301,571	4,517,259
Deductions:		
Deductions from net assets attributed to:		
Benefits paid to participants	1,090,515	1,288,348
Net increase	211,056	3,228,911
Net assets available for benefits:		
Beginning of year	15,041,647	11,812,736
End of year	$ 15,252,703	15,041,647

See accompanying notes to financial statements.

FINANCIAL INSTITUTIONS, INC.
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Notes to Financial Statements

December 31, 2002 and 2001

(1) Description of the Plan

The following description of the Financial Institutions, Inc. 401(k) Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a complete description of the Plan's provisions.

(a) General

The Plan is a defined contribution plan sponsored and administered by Financial Institutions, Inc. (the Company). All employees of the Company and its subsidiaries are eligible to participate in the Plan on the first of the month following the date of their employment and upon the attainment of age 20-1/2. Participants become eligible to receive the employer match following completion of one year of service, based on hire date anniversary. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

During 2002, $551,689 in assets were transferred into the Plan from the Burke Group and $66,920 from the Avaca acquisition. During 2001, the Bath National Bank Defined Contribution Plan and the Bath National Bank 401(k) Retirement Plan were merged into the Plan. Total assets transferred as a result of the mergers were $4,023,612.

Administration of the Plan is the responsibility of the executive committee (the Trustee) of the Company. Fidelity Investments Institutional Brokerage Group (the Custodian or Fidelity) holds the assets of the Plan and invests, controls, and disburses the funds of the Plan in accordance with the Plan agreement. In addition, during 2002 the Plan changed recordkeepers to the Burke Group (party-in-interest).

(b) Contributions

Each year, participants may contribute up to 50% (15% in 2001) of pretax annual compensation, as defined in the Plan. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. Participants direct the investment of their contributions and the Company's matching contributions into various investment options offered by the Plan. During 2002, the Plan changed custodians from the Aetna Life Insurance and Annuity Company to Fidelity. Concurrently with the change in custodians the Plan investment options changed from pooled separate accounts managed by Aetna to various mutual funds managed by Fidelity. In addition, effective May 1, 2002 Plan participants were able to select the Company's common stock as an investment option for up to 25% of their total account balance. The Company matches 25% of a participant's contributions up to the first 8% of compensation. The Company may also make additional discretionary contributions ($453,676 in 2002 and

$340,396 in 2001). Contributions are subject to certain limitations.

(c) Participant Accounts

Each participant's account is credited with the participant's contributions, the Company's matching contributions, and all earnings thereon.

(d) Vesting

Company and participant contributions, and all earnings thereon, are fully vested at the time of contribution.

(e) Payment of Benefits

The participant's account balance will be distributed upon termination of employment due to separation from service, retirement, disability, or death, or upon financial hardship as defined in the Internal Revenue Code (IRC).

When a participant terminates employment, the participant may elect to receive benefits in a lump-sum distribution or a deferred annuity. If the participant's account attributable to Company contributions is $5,000 or less, the form of the distribution is at the discretion of the administrator.

Withdrawal of an active employee's before-tax contributions prior to a participant reaching age 59-1/2 may only be made on account of financial hardship as determined by the Company.

(f) Participant Loans

Participants may borrow from their accounts up to a maximum amount equal to the lesser of $50,000 or 50% of their account balances. Loan terms must have a definite repayment period not to exceed five years unless the loan is used for the purchase of a principal residence, in which case the repayment period may not exceed 15 years. The loans are secured by the participant's account and bear interest at 2% points above the prime rate published in the Wall Street Journal. Principal and interest are paid ratably through after-tax payroll deductions.

(g) Plan Expenses

Substantially all expenses related to the administration and investment activity of the Plan are borne by the Company and are therefore not reflected in the accompanying financial statements.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America. In preparing these financial statements, the plan administrator has made a number of estimates and assumptions relating to the reporting of net assets available for benefits and changes therein. Actual results may differ from those estimates.

(b) Investments

All contributions made to the Plan may be invested in one or more investment options. The investments are carried at fair value. Transactions are accounted for on a trade date basis. Investment income includes interest, dividends and realized and unrealized gains and losses applicable to the plan shares in the funds. 5

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FINANCIAL INSTITUTIONS, INC.
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Notes to Financial Statements

December 31, 2002 and 2001

The investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in the near term would materially effect participants' account balances and the amounts reported in the statement of net assets available for benefits and the statement of changes in net assets available for benefits.

(c) Participant Loans - Payment of Benefits

Any unpaid loan balance at the time a participant withdraws from the Plan is presented as a benefit payment on the statement of changes in net assets available for benefits. All other benefits are recorded when paid.

(3) Investments

The following presents investments that represent 5% or more of the Plan's net assets as of December 31, 2002 and 2001:

2002	
Federated Capital Preservation Institutional Fund	$4,321,859
Fidelity Equity Income Fund	1,274,566
Franklin Capital Growth Class A Fund	1,649,272
Gabelli Westwood Balanced Retail C1 Fund	944,535
Pimco Total Return Administrative Shares Fund	1,064,719
W&R Accumulative Class Y Fund	1,111,224
2001	
Aetna Money Market VP	$ 926,486
Aetna Balanced VP	977,182

Aetna Fixed Account	4,312,607
Aetna Growth and Income VP	1,676,655
PPI MFS Emerging Equities Portfolio	876,010
Fidelity VIP Equity-Income Portfolio	1,561,219
Fidelity VIP Growth Portfolio	1,240,521
PPI T. Rowe Price Growth Equity Portfolio	998,848

Net appreciation (depreciation) in fair value of investments for the years ended December 31, 2002 and 2001 are as follows:

	2002	2001
Mutual funds	$(1,771,272)	--
Financial Institutions Inc., common stock	(14,987)	--
Investments in pooled separate accounts	--	(1,303,929)
	$(1,786,259)	(1,303,929)

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(4) Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will receive their account balances.

(5) Tax Status

The Internal Revenue Service has determined and informed the Company by a letter dated March 28, 1999, that the Plan is designed in accordance with applicable sections of the IRC. Although the Plan has been amended since receiving the determination letter, the plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirement of the IRC.

(6) Related-Party Transactions

Certain plan investments are mutual managed by Fidelity. Fidelity is the custodian as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. The Burke Group, a subsidiary company is the plan record-keeper (party-in-interest).

Schedule 1

FINANCIAL INSTITUTIONS, INC.
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Schedule H, Line 4i - Schedule of Assets (Held at End of Year) December 31, 2002

(a)	(b) Identity of issuer, borrower, lessor, or similar party	(c) Description of investment, including maturity date, rate of interest, collateral, and par, or maturity value
	Federated Capital Preservation Institutional Fund	Mutual fund
*	Fidelity Contrafund	Mutual fund
*	Fidelity Equity Income Fund	Mutual fund
	Franklin Capital Growth Class A Fund	Mutual fund
	Gabelli Westwood Balanced Retail C1 Fund	Mutual fund
	Janus Mercury Fund	Mutual fund
	Nations International Value Investor A Fund	Mutual fund
	Oppenheimer Capital Appreciation Class A Fund	Mutual fund
	Oppenheimer Global Class A Fund	Mutual fund
	Pimco Total Return Administrative Shares Fund	Mutual fund
	Spartan 500 Index Fund	Mutual fund
	Spartan Extended Market Index Fund	Mutual fund
	Spartan Money Market Fund	Mutual fund
	Van Kampen Comstock Class A Fund	Mutual fund
	Van Kampen Equity and Income Class A Fund	Mutual fund
	W&R Accumulative Class Y Fund	Mutual fund
	Wasatch Small Cap Growth Fund	Mutual fund
*	Fidelity Cash Reserves	Mutual fund
*	Financial Institutions, Inc.	Common stock
	Participant loans	6.25% - 11.5%, fully secured by veste benefits, due 2003 through 2016

* Party-in-interest transaction.

See accompanying independent auditors' report.