

FINANCIAL INSTITUTIONS INC

Form 11-K

June 28, 2004

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

FORM 11-K

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

For the fiscal year ended December 31, 2003

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:

220 Liberty Street
Warsaw, NY 14569

**FINANCIAL INSTITUTIONS, INC.
401(k) PLAN**

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B. Exhibits

23 Consent of Independent Registered Public Accounting Firm

EX-23 Consent: Ind. Registered Public Acctg. Firm

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Report of Independent Registered Public Accounting Firm

The 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, 2003 and 2002, 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 the standards of the Public Company Accounting Oversight Board (United States). 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, 2003 and 2002, 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, 2003 and 2002 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. 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

Buffalo, New York

June 21, 2004

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**FINANCIAL INSTITUTIONS, INC.
401(K) PLAN**

Statements of Net Assets Available for Benefits

December 31, 2003 and 2002

	2003	2002
Assets:		
Investments, at fair value:		
Cash and cash equivalents	\$ 85,448	7,155
Mutual funds (Cost: \$16,973,811)	19,214,050	14,249,903
Financial Institutions, Inc. common stock (Cost: \$605,208)	670,519	598,239
Participants loans	372,898	316,081
 Total investments	 20,342,915	 15,171,378
Receivables:		
Employer contribution	9,538	14,795
Participant contributions	57,746	46,123
Dividends	17,199	20,407
 Total receivables	 84,483	 81,325
 Net assets available for benefits	 \$20,427,398	 15,252,703

See accompanying notes to financial statements.

Table of Contents**FINANCIAL INSTITUTIONS, INC.
401(K) PLAN**

Statements of Changes in Net Assets Available for Benefits

Years ended December 31, 2003 and 2002

	2003	2002
Additions:		
Additions to net assets attributed to:		
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	\$ 3,001,450	(1,811,076)
Interest from participant loans	27,187	27,299
Dividends	32,599	24,817
Total investment income (loss)	3,061,236	(1,758,960)
Contributions and transfers:		
Transfers in from other plans	105,687	618,609
Participant	1,768,085	1,711,559
Employer	1,121,481	730,363
Total contributions and transfers	2,995,253	3,060,531
Total additions	6,056,489	1,301,571
Deductions:		
Deductions from net assets attributed to:		
Benefits paid to participants	881,794	1,090,515
Net increase	5,174,695	211,056
Net assets available for benefits:		
Beginning of year	15,252,703	15,041,647
End of year	\$20,427,398	15,252,703

See accompanying notes to financial statements.

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**FINANCIAL INSTITUTIONS, INC.
401(k) PLAN**

Notes to Financial Statements

December 31, 2003 and 2002

(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).

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. The Burke Group, a subsidiary company, is the recordkeeper for the Plan (party-in-interest).

(b) Contributions

Each year, participants may contribute up to 50% 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. The Plan participants are 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 matching contributions (\$810,842 in 2003 and \$453,676 in 2002). 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 or losses (realized or unrealized) thereon.

(d) Vesting

Company and participant contributions are fully vested at the time of contribution. Earnings are also immediately vested.

(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) and are recorded by the Plan when paid.

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**FINANCIAL INSTITUTIONS, INC.
401(k) PLAN**

Notes to Financial Statements

December 31, 2003 and 2002

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 Trustee.

(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, currently ranging from 6% to 11.5%. Principal and interest are paid ratably through after-tax payroll deductions.

(g) Plan Expenses

Expenses related to the administration and investment activity of the Plan are borne by the Company, at its discretion, 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. Reclassifications are made whenever necessary to conform with the current year presentation.

(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. The Plan presents in the statement of changes in net assets available for plan benefits the net appreciation (depreciation) in the fair value of its investments, which consists of the realized gains and losses and the unrealized appreciation or depreciation on these investments during the year.

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.

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Table of Contents**FINANCIAL INSTITUTIONS, INC.
401(k) PLAN**

Notes to Financial Statements

December 31, 2003 and 2002

(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, 2003 and 2002:

	2003	2002
Federated Capital Preservation Institutional Fund	\$4,866,982	4,321,859
Fidelity Equity Income Fund	1,845,361	1,274,566
Franklin Capital Growth Class A Fund	2,229,023	1,649,272
Gabelli Westwood Balanced Retail C1 Fund	1,064,859	944,535
Pimco Total Return Administrative Shares Fund	1,262,726	1,064,719
W&R Accumulative Class Y Fund	1,463,711	1,111,224
Wasatch Small Cap Growth Fund	1,452,189	

Net appreciation (depreciation) in fair value of investments for the years ended December 31, 2003 and 2002 are as follows:

	2003	2002
Mutual funds	\$2,984,704	(1,771,272)
Financial Institutions Inc., common stock	16,746	(14,987)
	\$3,001,450	(1,786,259)

(4) Reconciliation of Employee Benefit Plan (Form 5500) to Statements of Net Assets Available for Benefits and Changes in Net Assets Available for Benefits

The following is a reconciliation of net assets as reported on the statements of net assets available for benefits to Form 5500s as of December 31, 2003:

Net assets available for benefits	2003 \$20,427,398
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Distributions payable included on Form 5500	(67,464)
Net assets as reported on line 1(L) of Form 5500 (schedule H)	\$20,359,934

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**FINANCIAL INSTITUTIONS, INC.
401(k) PLAN**

Notes to Financial Statements

December 31, 2003 and 2002

The following is a reconciliation of distributions to participants as reported on the 2003 statement of changes in net assets available for benefits to the 2003 Form 5500:

Distributions to participants per the financial statements	\$881,794
Add distribution payable at December 31, 2003	67,464
Subtract distribution payable at December 31, 2002	
Distributions to participants per the 2003 Form 5500	\$949,258

(5) 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.

(6) Tax Status

The Internal Revenue Service has determined and informed the Company by a letter dated March 28, 2000, 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 requirements of the IRC.

(7) Related-Party Transactions

Certain plan investments are mutual funds managed by Fidelity. Fidelity is the custodian as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Certain plan investments are the common stock of the Company, therefore, these transactions qualify as party-in-interest transactions. The Burke Group, a subsidiary of the Company, is the Plan record-keeper (party-in-interest). The Company pays all costs related to these services.

Table of Contents**SCHEDULE 1****FINANCIAL INSTITUTIONS, INC.
401(K) PLAN**Schedule H, Line 4i Schedule of Assets (Held at End of Year)
December 31, 2003

(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	(d) Current value
	Federated Capital Preservation Institutional Fund	Mutual fund	\$ 4,866,982
*	Fidelity Contrafund	Mutual fund	521,177
*	Fidelity Equity Income Fund	Mutual fund	1,845,361
	Franklin Capital Growth Class A Fund	Mutual fund	2,229,023
	Gabelli Westwood Balanced Retail C1 Fund	Mutual fund	1,064,859
	Janus Mercury Fund	Mutual fund	830,940
	Nations International Value Investor A Fund	Mutual fund	480,430
	Oppenheimer Capital Appreciation Class A Fund	Mutual fund	156,226
	Oppenheimer Global Class A Fund	Mutual fund	1,008,833
	Pimco Total Return Administrative Shares Fund	Mutual fund	1,262,726
	Spartan 500 Index Fund	Mutual fund	393,274
	Spartan Extended Market Index Fund	Mutual fund	120,529
	Spartan Money Market Fund	Mutual fund	672,845
	Van Kampen Comstock Class A Fund	Mutual fund	395,703
	Van Kampen Equity and Income Class A Fund	Mutual fund	449,242
	W&R Accumulative Class Y Fund	Mutual fund	1,463,711
	Wasatch Small Cap Growth Fund	Mutual fund	1,452,189
*	Fidelity Cash Reserves	Mutual fund	85,448
*	Financial Institutions, Inc.	Common stock	670,519
	Participant loans	6.00% - 11.5%, fully secured by vested benefits, due 2004 through 2018	372,898
			\$20,342,915

* Party-in-interest transaction.

See accompanying independent auditors' report.

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SIGNATURE

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 28, 2004

/s/ Peter G. Humphrey

Peter G. Humphrey
President and Chief Executive Officer