

SKIDMORE COLLEGE

AUDITED FINANCIAL STATEMENTS

Years ended May 31, 2008 and 2007

SKIDMORE COLLEGE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Skidmore College

We have audited the accompanying statements of financial position of Skidmore College (the "College") as of May 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College'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 present fairly, in all material respects, the financial position of Skidmore College as of May 31, 2008 and 2007, 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.

UHY LLP

Albany, New York
September 12, 2008

SKIDMORE COLLEGE
STATEMENTS OF FINANCIAL POSITION
As of May 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 37,084,416	\$ 36,826,572
Accounts receivable, net	1,750,666	2,569,223
Inventories	805,354	662,295
Prepaid expenses	1,351,379	1,311,974
Contributions receivable, net	31,196,963	32,883,289
Student loans receivable, net	3,812,690	3,993,088
Investments, at fair value	345,603,805	332,796,261
Deposits with bond trustees	7,971,841	7,910,030
Debt issuance costs	2,037,227	2,116,663
Prepaid benefit costs	321,873	214,629
Land, buildings and equipment, net	<u>144,548,186</u>	<u>136,734,690</u>
Total assets	<u><u>\$ 576,484,400</u></u>	<u><u>\$ 558,018,714</u></u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 14,955,859	\$ 13,034,373
Student tuition deposits and deferred revenues	10,750,597	9,955,101
Accrued pension and postretirement benefits	27,756,242	34,228,257
Refundable government loan funds	1,761,367	1,747,131
Asset retirement obligation	2,561,375	2,717,252
Long-term debt	<u>71,263,132</u>	<u>74,571,409</u>
Total liabilities	<u>129,048,572</u>	<u>136,253,523</u>
NET ASSETS		
Unrestricted:		
Board designated	292,573,859	285,969,387
Undesignated	<u>18,497,619</u>	<u>9,001,184</u>
	311,071,478	294,970,571
Temporarily restricted	42,781,350	39,312,855
Permanently restricted	<u>93,583,000</u>	<u>87,481,765</u>
Total net assets	<u>447,435,828</u>	<u>421,765,191</u>
Total liabilities and net assets	<u><u>\$ 576,484,400</u></u>	<u><u>\$ 558,018,714</u></u>

See notes to financial statements.

SKIDMORE COLLEGE
STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue:				
Tuition and fees	\$ 100,133,660	\$ -	\$ -	\$ 100,133,660
Less: institutional aid	(25,859,782)	-	-	(25,859,782)
Net tuition and fees	74,273,878	-	-	74,273,878
Sales and services of auxiliary enterprises	25,675,133	-	-	25,675,133
Private gifts and grants	1,453,528	5,882,641	-	7,336,169
Government grants and appropriations	284,816	1,592,741	-	1,877,557
Investment return:				
Dividends and interest	4,855,094	1,241,281	-	6,096,375
Realized gains used to support operations	5,608,448	6,342,808	-	11,951,256
Interest on student loans	176,943	-	-	176,943
Other	1,390,784	811,775	-	2,202,559
Total operating revenue	113,718,624	15,871,246	-	129,589,870
Net assets released from restrictions	17,409,616	(17,409,616)	-	-
Total operating revenue and net assets released from restrictions	131,128,240	(1,538,370)	-	129,589,870
Operating expenses:				
Instruction	49,876,978	-	-	49,876,978
Research	1,115,732	-	-	1,115,732
Academic support	14,657,220	-	-	14,657,220
Student services	13,775,174	-	-	13,775,174
Institutional support	24,297,716	-	-	24,297,716
Auxiliary enterprises	23,004,361	-	-	23,004,361
Total operating expenses	126,727,181	-	-	126,727,181
Non-operating:				
Dividends and interest	551,679	272,948	-	824,627
Realized and unrealized gains (losses), net of amounts used to support operations	(3,591,802)	230,262	-	(3,361,540)
Capital gifts	5,304,685	4,780,335	6,085,640	16,170,660
Net loss on disposal of fixed assets	(482,647)	-	-	(482,647)
Other net (expense) revenue	(1,035)	(276,680)	15,595	(262,120)
Changes in net assets from non-operating activities	1,780,880	5,006,865	6,101,235	12,888,980
Increase in net assets before pension related changes other than net periodic pension cost	6,181,939	3,468,495	6,101,235	15,751,669
Pension related changes other than net periodic pension cost	9,918,968	-	-	9,918,968
Increase in net assets	16,100,907	3,468,495	6,101,235	25,670,637
Net assets at beginning of year	294,970,571	39,312,855	87,481,765	421,765,191
Net assets at end of year	<u>\$ 311,071,478</u>	<u>\$ 42,781,350</u>	<u>\$ 93,583,000</u>	<u>\$ 447,435,828</u>

See notes to financial statements.

SKIDMORE COLLEGE
STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue:				
Tuition and fees	\$ 92,837,135	\$ -	\$ -	\$ 92,837,135
Less: institutional aid	(22,514,606)	-	-	(22,514,606)
Net tuition and fees	70,322,529	-	-	70,322,529
Sales and services of auxiliary enterprises	24,221,428	-	-	24,221,428
Private gifts and grants	4,314,662	3,858,377	-	8,173,039
Government grants and appropriations	280,998	1,750,261	-	2,031,259
Investment return:				
Dividends and interest	5,050,472	1,620,863	-	6,671,335
Realized gains used to support operations	4,277,158	4,886,968	-	9,164,126
Interest on student loans	222,117	-	-	222,117
Other	1,415,163	183,176	-	1,598,339
Total operating revenue	110,104,527	12,299,645	-	122,404,172
Net assets released from restrictions	28,663,180	(28,663,180)	-	-
Total operating revenue and net assets released from restrictions	138,767,707	(16,363,535)	-	122,404,172
Operating expenses:				
Instruction	45,650,727	-	-	45,650,727
Research	910,019	-	-	910,019
Academic support	13,633,437	-	-	13,633,437
Student services	12,155,915	-	-	12,155,915
Institutional support	22,621,932	-	-	22,621,932
Auxiliary enterprises	21,457,693	-	-	21,457,693
Total operating expenses	116,429,723	-	-	116,429,723
Non-operating:				
Dividends and interest	173,963	1,312,810	-	1,486,773
Realized and unrealized gains, net of amounts used to support operations	18,194,504	17,388,496	-	35,583,000
Capital gifts	39,696,700	5,621,329	4,495,502	49,813,531
Net loss on disposal of fixed assets	(459,135)	-	-	(459,135)
Other net (expense) revenue	391,024	95,396	61,593	548,013
Net assets released from restrictions	1,199,689	(1,199,689)	-	-
Changes in net assets from non-operating activities	59,196,745	23,218,342	4,557,095	86,972,182
Increase in net assets before effect of adoption of FASB Statement No. 158	81,534,729	6,854,807	4,557,095	92,946,631
Effect of adoption of recognition and measurement date provisions of FASB Statement No. 158	(13,637,579)	-	-	(13,637,579)
Increase in net assets	67,897,150	6,854,807	4,557,095	79,309,052
Net assets at beginning of year	227,073,421	32,458,048	82,924,670	342,456,139
Net assets at end of year	<u>\$ 294,970,571</u>	<u>\$ 39,312,855</u>	<u>\$ 87,481,765</u>	<u>\$ 421,765,191</u>

See notes to financial statements.

SKIDMORE COLLEGE
STATEMENTS OF CASH FLOWS
For the Years Ended May 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 25,670,637	\$ 79,309,052
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	10,916,138	9,609,238
Amortization of deferred financing costs	79,435	75,804
Decrease in pledge discount	573,754	581,624
Loss on disposal of fixed assets	482,647	459,135
Increase (decrease) in allowance for uncollectable receivables	(543,602)	711,088
Realized and unrealized gains on investments	(8,589,716)	(44,747,126)
Capital gifts	(16,170,660)	(50,280,359)
Gifts in kind	(1,510,327)	(645,513)
Effect of adoption of FASB Statement No. 158	-	13,637,579
Pension related changes other than net periodic pension cost	(9,918,968)	-
Changes in operating assets and liabilities:		
Accounts receivable	761,433	(394,797)
Inventories	(143,059)	201,675
Prepaid expenses	(39,405)	83,183
Prepaid pension costs	(107,244)	(135,384)
Accounts payable and accrued expenses	1,921,486	(2,027,833)
Student tuition deposits and deferred income	795,496	694,761
Accrued postretirement benefits	3,446,953	1,987,389
Asset retirement obligation	(155,877)	(501,435)
Net cash provided by operating activities	<u>7,469,121</u>	<u>8,618,081</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	161,237,839	112,970,516
Purchases of investments	(165,455,666)	(151,215,550)
Student loan principal collected	811,299	1,215,261
Student loans originated	(611,113)	(403,866)
Purchases of land, buildings and equipment	(17,701,954)	(24,425,845)
Net cash used in investing activities	<u>(21,719,595)</u>	<u>(61,859,484)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital gifts	16,170,660	50,280,359
Change in pledges, contributions, and bequests receivable	1,693,510	(1,031,065)
Payments on long-term debt	(3,308,277)	(2,665,000)
(Increase) decrease in deposits with trustee	(61,811)	12,228,049
Change in refundable government loan funds	14,236	28,439
Net cash provided by financing activities	<u>14,508,318</u>	<u>58,840,782</u>
Net increase in cash and cash equivalents	257,844	5,599,379
Cash and cash equivalents at beginning of year	<u>36,826,572</u>	<u>31,227,193</u>
Cash and cash equivalents at end of year	<u>\$ 37,084,416</u>	<u>\$ 36,826,572</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	<u>\$ 3,005,659</u>	<u>\$ 3,049,476</u>

See notes to financial statements.

SKIDMORE COLLEGE
NOTES TO FINANCIAL STATEMENTS
May 31, 2008 and 2007

NOTE 1 — ORGANIZATION AND NATURE OF ACTIVITIES

Skidmore College (the “College”) was founded in 1903 and is a predominantly residential, independent, nonsectarian, four-year coeducational liberal arts college. The College operates on a 900 acre campus located in Saratoga Springs, New York. The College serves approximately 2,400 undergraduate students.

The College is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes pursuant to Section 501(a) of the Code.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting.

Basis of Presentation

The College’s net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College are classified as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations, but may be internally designated by the College.

Temporarily restricted – Net assets subject to donor-imposed stipulations that may or will be satisfied either by actions of the College and/or the passage of time.

Permanently restricted – Net assets subject to donor-imposed stipulations, requiring the principal to be invested in perpetuity. Generally, donors of these assets permit the College to use the income earned on related investments for general or specific purposes.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents (current operating assets) are comprised of investments with maturities of less than 90 days except for cash equivalents included in investment pools, which are included in investments in the accompanying statements of financial position.

SKIDMORE COLLEGE
NOTES TO FINANCIAL STATEMENTS
May 31, 2008 and 2007

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

All investments with readily determinable market values have been reported in the accompanying financial statements at fair value. Certain limited partnerships and other investments totaling approximately \$6,397,000 and \$10,934,000 as of May 31, 2008 and 2007, respectively, whose fair values are not readily determinable have been reported at cost. Realized and unrealized gains and losses are recognized in the accompanying statements of activities. Gains or losses on investments reported at fair value are recognized as an increase or decrease in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Investments in fixed income and equity securities are recorded at fair value based upon values provided by the College's external money managers or quoted market prices. Limited partnership interest valuations, other than those reported at cost, are recorded at fair value as determined by the general partners based upon various factors including market judgments and recent transactions.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in investments in the near term would materially affect the amounts reported in these financial statements.

Annuities and Deferred Giving Arrangements

The College's deferred giving arrangements consist primarily of gift annuities, pooled life income funds and charitable remainder trusts. For irrevocable deferred gifts where the assets are held by the College, contribution revenues are recognized at the date the deferred gift is established along with a corresponding liability for the present value of the estimated future payments to be made to the donors and/or beneficiaries. For irrevocable deferred gifts where the assets are not held by the College, contribution revenue and a related receivable are recorded at the date the college becomes aware of the deferred gift, based on the estimated present value of the deferred at that time. The College amortizes the discount related to these types of deferred gifts over a period equivalent to the beneficiary's remaining life expectancy when the deferred gift is initially recognized. Assets related to deferred giving arrangements are included in investments in the statements of financial position and approximated \$7,458,000 and \$7,388,000 at May 31, 2008 and 2007, respectively. Liabilities related to deferred giving arrangements are included in accounts payable and accrued expenses in the statements of financial position and approximated \$1,607,000 and \$1,807,000 at May 31, 2008 and 2007, respectively.

Student Loans Receivable

Student loans receivable are reported net of an allowance for doubtful accounts. A reasonable estimate of the market value of student loans receivable under government loan programs could not be made because the notes are not saleable and can only be assigned to the U.S. Government or its designees.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, contributions receivable, deposits held by bond trustees, and accounts payable and accrued expenses approximate fair value.

SKIDMORE COLLEGE
NOTES TO FINANCIAL STATEMENTS
May 31, 2008 and 2007

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost or market, based upon the first-in, first-out ("FIFO") method. Inventories consist principally of items held for sale in the College bookstore and the Tang Museum Shop.

Land, Building and Equipment, net

Land, buildings and equipment are carried at cost, if purchased, or at fair market value at the date of receipt, if acquired by contribution, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 45 years. Art collections are stated at cost, if purchased, or fair market value at the date of receipt, if acquired by contribution; however these items are not depreciated. All gifts of land, buildings and equipment are recorded as unrestricted non-operating resources, unless explicit donor stipulations specify how the donated assets must be used. 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 non-operating resources. Absent donor restrictions on how long those long-lived assets must be maintained, the expiration of donor restrictions are reported as being released from restriction when the donated or acquired long-lived assets are placed in service.

Conditional Asset Retirement Obligations

The College recognizes a liability when a legal obligation exists to perform an asset retirement 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 College. Further, this liability (asset retirement obligation - 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. The liability is accreted through periodic charges to accretion expense through the expected dates of the asset retirement. The capitalized asset cost is depreciated over the useful life of the related long lived asset.

Accrued Pension and Postretirement Benefits

The College accounts for pension and other postretirement benefits in accordance with Financial Accounting Standards Board issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pensions and Other Postretirement Plans* (SFAS No. 158). SFAS No. 158 requires the recognition of a defined benefit pension or postretirement plan's funded status as either an asset or liability on the Statement of Financial Position. SFAS No. 158 also requires the immediate recognition of the unrecognized actuarial gains and losses and prior service costs and credits that arise during the period. The College adopted SFAS No. 158 for the year ended May 31, 2007.

Debt Issuance Costs

Debt issuance costs consist of legal, underwriting, and other fees for services rendered in connection with the issuance of long-term debt. Debt issuance costs are amortized using the effective interest rate method over the life of the related debt.

SKIDMORE COLLEGE
NOTES TO FINANCIAL STATEMENTS
May 31, 2008 and 2007

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits With Bond Trustees

All borrowing arrangements between the College and the Dormitory Authority of the State of New York (see Note 7) require the establishment of various reserve funds (debt service and building and equipment reserves). Balances in these reserves, which are comprised primarily of U.S. government agency and treasury notes, are reflected in deposits with bond trustees in the accompanying statements of financial position. Deposits with bond trustees also includes unexpended proceeds from prior bond issuances that are earmarked for future capital expenditures.

Contributions Receivable

Unconditional promises to give (pledges), and gifts of cash and other non-capital assets are reported at fair value. Such gifts are recorded as restricted revenue if the gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, i.e. when a stipulated time restriction ends or the purpose of the restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Gifts received without donor restrictions are recorded as unrestricted revenue.

Endowment Investment Return Spending Policy

The College has an endowment and similar funds "total return" investment spending policy, which is applied to substantially all of the College's endowment and similar funds investments. It is intended to preserve the purchasing power of the corpus and insulate program spending from fluctuations in capital markets. The amount of endowment and similar funds investment return (yield and appreciation) used annually to support operations is equivalent to 5% of the weighted average of these investments over the prior three years. 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 statements of activities. Spending in excess of investment return is reflected as a decrease in unrestricted net assets.

Capital Gift Revenue

Capital gift revenue (non-operating) includes endowed gifts, gifts of equipment or other property, life income funds and/or other gifts that are designated by the College's Board of Trustees for non-operating purposes.

Program Expenses

Total program expenses for the years ended May 31, 2008 and 2007 were approximately \$102,429,000 and \$93,808,000, respectively. Program expenses include instruction, research, academic support, student services and auxiliary enterprises.

SKIDMORE COLLEGE
NOTES TO FINANCIAL STATEMENTS
May 31, 2008 and 2007

NOTE 3 — ACCOUNTS RECEIVABLE AND STUDENT LOANS RECEIVABLE, NET

Accounts receivable and student loans receivable are recognized net of allowances for uncollectible accounts of approximately \$304,000 and \$680,000, respectively, as of May 31, 2008 and approximately \$247,000 and \$700,000, respectively, as of May 31, 2007.

Student loans receivable are comprised primarily of College sponsored loans that were funded through the issuance of tax-exempt bonds as discussed in Note 7 and Federally sponsored student loans with U.S. government mandated interest rates and repayment terms.

NOTE 4 — CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable consists of pledges, contributions, and bequests. The College recognizes contributions receivable at their estimated fair value. Fair value is determined by calculating the present value of the estimated future cash flows, net of an allowance for uncollectible contributions. Discount rates ranged from 1.93% to 5.88% for fiscal years 2008 and 2007.

Contributions receivable as of May 31, 2008 and 2007, were due as follows:

	<u>2008</u>	<u>2007</u>
Gross amounts due in:		
One year	\$ 995,244	\$ 2,660,089
One to five years	28,513,570	27,853,557
More than five years	6,156,077	8,124,434
	<u>35,664,891</u>	<u>38,638,080</u>
Less: discount to present value (1.93% to 5.88%)	<u>(2,401,039)</u>	<u>(3,106,963)</u>
	33,263,852	35,531,117
Less: allowance for doubtful accounts	<u>(2,066,889)</u>	<u>(2,647,828)</u>
	<u>\$ 31,196,963</u>	<u>\$ 32,883,289</u>
Total		

As of May 31, 2008 and 2007, the College had also received notification of bequest intentions totaling approximately \$10,716,000 and \$11,481,000, respectively. These bequests, if received, would be used for general operations, program activities and new facilities. These amounts are not included in contribution receivable due to the conditional nature of the gifts.

The College supports institutional development through the activities of the offices of annual fund, foundations and corporate relations, planned giving, campaign, parent relations, and major gifts. The expenses incurred for these activities were approximately \$4,026,000 and \$4,050,000 for the years ended May 31, 2008 and 2007, respectively. The College also incurs additional institutional development costs through activities such as alumni relations, college events, communications, and various other administrative costs. The direct expenses for these activities were approximately \$3,215,000 and \$2,886,000 for the years ended May 31, 2008 and 2007, respectively. These expenses are reflected in institutional support in the accompanying statements of activities.

SKIDMORE COLLEGE
NOTES TO FINANCIAL STATEMENTS
May 31, 2008 and 2007

NOTE 5 — INVESTMENTS

The fair value and cost of investments, by type, as of May 31, 2008 and 2007 were as follows:

	2008		2007	
	Fair Value	Cost	Fair Value	Cost
Cash equivalents	\$ 20,615,261	\$ 20,616,826	\$ 31,383,181	\$ 31,379,903
Fixed income securities	62,259,491	57,774,749	55,368,467	55,592,829
Equity securities	180,418,772	145,939,321	178,132,261	127,263,507
Limited partnerships	80,164,037	44,590,877	67,785,548	35,558,893
Other	2,146,244	2,146,991	126,804	126,332
Total	\$ 345,603,805	\$ 271,068,764	\$ 332,796,261	\$ 249,921,464

The College has committed to investing an additional \$18,200,000 in four private equity limited partnerships over the next six years and \$13,875,000 in four real estate limited partnerships over the next three years. These additional commitments are subject to call provisions included in the respective partnership agreements.

Investment management and custodial fees are netted against investment income and approximated \$1,296,000 and \$992,000 for the years ended May 31, 2008 and 2007, respectively.

The fair value and cost of investments by traditional fund classification as of May 31, 2008 and 2007 were as follows:

	2008		2007	
	Fair Value	Cost	Fair Value	Cost
Pooled Investments				
Endowment and similar funds	\$ 328,617,557	\$ 254,002,149	\$ 318,409,517	\$ 236,203,171
Non-pooled Investments				
Current funds	9,528,016	9,477,430	6,998,890	6,677,183
Life income funds	7,458,232	7,589,185	7,387,854	7,041,110
Total non-pooled	16,986,248	17,066,615	14,386,744	13,718,293
Total	\$ 345,603,805	\$ 271,068,764	\$ 332,796,261	\$ 249,921,464

SKIDMORE COLLEGE
NOTES TO FINANCIAL STATEMENTS
May 31, 2008 and 2007

NOTE 5 — INVESTMENTS (Continued)

Pooled endowment and similar funds are accounted for on a unit market value basis. Funds are added to or withdrawn from the pool at the unit market value at the beginning of the month in which the transaction takes place. A summary of changes in the relationship between cost and market value of the pooled investments is as follows:

	2008			Market Value Per Unit
	Pooled Investments		Net Gain	
	Market	Cost		
End of year	\$ 328,617,557	\$ 254,002,149	\$ 74,615,408	\$ 8.34
Beginning of year	318,409,517	236,203,171	82,206,346	8.07
Unrealized net loss for year			(7,590,938)	
Net realized gain for year			18,438,026	
Net total gain for year			<u>\$ 10,847,088</u>	<u>\$ 0.27</u>

The average earnings per unit, exclusive of net unrealized and net realized gains and losses, amounted to \$.08 for the year ended May 31, 2008.

	2007			Market Value Per Unit
	Pooled Investments		Net Gain	
	Market	Cost		
End of year	\$ 318,409,517	\$ 236,203,171	\$ 82,206,346	\$ 8.07
Beginning of year	235,850,881	184,139,689	51,711,192	6.90
Unrealized net gain for year			30,495,154	
Net realized gain for year			15,266,580	
Net total gain for year			<u>\$ 45,761,734</u>	<u>\$ 1.17</u>

The average earnings per unit, exclusive of net unrealized and net realized gains and losses, amounted to \$.11 for the year ended May 31, 2007.

NOTE 6 — LAND, BUILDINGS AND EQUIPMENT, NET

Land, buildings and equipment, net as of May 31, 2008 and 2007, consisted of the following:

	2008	2007
Land	\$ 1,698,656	\$ 1,198,656
Buildings and building improvements	182,049,011	177,828,754
Equipment and furnishings	59,354,353	54,887,576
Library holdings and art collections	22,548,453	21,129,414
Construction in progress	10,451,890	2,611,476
	<u>276,102,363</u>	<u>257,655,876</u>
Less: accumulated depreciation	<u>(131,554,177)</u>	<u>(120,921,186)</u>
Land, buildings, and equipment, net	<u>\$ 144,548,186</u>	<u>\$ 136,734,690</u>

Depreciation expense for the years ended May 31, 2008 and 2007 amounted to \$10,916,138 and \$9,609,238, respectively.

SKIDMORE COLLEGE
NOTES TO FINANCIAL STATEMENTS
May 31, 2008 and 2007

NOTE 6 — LAND, BUILDINGS AND EQUIPMENT, NET (Continued)

Contingencies Related To Land, Buildings, and Equipment

Asset Retirement Obligation (ARO)

In the normal course of operation, the College performs maintenance and repairs on its facilities and is also involved in ongoing construction projects. As part of these activities, the College has identified areas containing materials that legally require removal (asset retirement obligation) at some point in the future. The primary material identified was asbestos that was used in the initial construction of many of the buildings at the College. The following table details the activity in the College's asset retirement obligation for 2008 and 2007:

	<u>2008</u>	<u>2007</u>
ARO, beginning of year	\$ 2,717,252	\$ 3,218,687
Add: Current year accretion	127,124	121,071
Less: Settled obligations	<u>(283,001)</u>	<u>(622,506)</u>
ARO, end of year	<u>\$ 2,561,375</u>	<u>\$ 2,717,252</u>

Sale of Moore Hall

At May 31, 2008, the College had an agreement in effect with a third party for the sale of a residence hall located off the main campus in Saratoga Springs, NY. The College expects this transaction to close by October 2008.

NOTE 7 — LONG-TERM DEBT

The College classifies its long-term debt into two categories, plant debt and student loan debt. Plant debt was issued to finance facilities additions/renovations and major equipment purchases, and will be repaid from the general operations of the College. Student loan debt was issued to fund the College's student loan program and will be repaid from principal and interest collected from the underlying loan portfolio.

SKIDMORE COLLEGE
NOTES TO FINANCIAL STATEMENTS
May 31, 2008 and 2007

NOTE 7 — LONG-TERM DEBT (Continued)

Long-term debt of the College (including the current portion) as of May 31, 2008 and 2007, is summarized as follows:

	<u>2008</u>	<u>2007</u>
<u>Plant Debt</u>		
Dormitory Authority of the State of New York Insured Revenue Bonds, Series '98; 4.77%; due 2028	\$ 12,910,000	\$ 13,185,000
Saratoga County Industrial Development Agency Insured Revenue Bonds, Series '03A; 4.09%; due 2023	23,790,000	25,515,000
Dormitory Authority of the State of New York Insured Revenue Bonds, Series '04; 4.59%; due 2033	<u>30,875,000</u>	<u>31,565,000</u>
Total plant debt	<u>67,575,000</u>	<u>70,265,000</u>
<u>Student Loan Debt</u>		
Dormitory Authority of the State of New York College & University Educational Loan Insured Revenue Bonds:		
Series '92; 6.39%; due 2013	279,030	297,307
Series '93; 5.05%; due 2013	1,000,048	1,200,048
Series '95; 5.75%; due 2016	<u>2,409,054</u>	<u>2,809,054</u>
Total student loan debt	<u>3,688,132</u>	<u>4,306,409</u>
Total long-term debt	<u>\$ 71,263,132</u>	<u>\$ 74,571,409</u>

The Dormitory Authority of the State of New York (the "Authority") issues consist of serial bonds, term bonds and capital appreciation bonds in varying combinations. Maturities noted are the final year of maturity for the issue. Interest rates noted are annualized based on a weighted average for the entire issue. All of the Authority issues, as well as the Saratoga County Industrial Development Agency issue, are collateralized by municipal bond insurance as well as certain pledges of tuition and fees. As additional security for its plant-related debt, the College has granted mortgages on various campus properties.

A summary of long-term debt service payable for the next five years and thereafter is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 2,787,406	\$ 3,263,657	\$ 6,051,063
2010	6,907,975	3,545,436	10,453,411
2011	3,559,791	3,436,017	6,995,808
2012	3,562,147	3,254,526	6,816,673
2013	3,623,701	3,168,952	6,792,653
Thereafter	<u>50,822,112</u>	<u>25,174,402</u>	<u>75,996,514</u>
Total	<u>\$ 71,263,132</u>	<u>\$ 41,842,990</u>	<u>\$ 113,106,122</u>

The fair market value of the College's financial debt instruments based on current borrowing rates for loans with similar terms and average maturities was estimated to be approximately \$77,991,000 and \$83,181,000 as of May 31, 2008 and 2007, respectively.

Interest expense for the years ended May 31, 2008 and 2007 totaled approximately \$3,006,000 and \$3,049,000, respectively.

SKIDMORE COLLEGE
NOTES TO FINANCIAL STATEMENTS
May 31, 2008 and 2007

NOTE 8 — NET ASSETS

Unrestricted net assets consisted of the following as of May 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Undesignated	\$ 18,497,619	\$ 9,001,184
Board designated for:		
Endowment	210,877,782	207,691,494
Facilities/equipment renewals and replacements	70,792,284	68,867,726
Academic programs and scholarships	<u>10,903,793</u>	<u>9,410,167</u>
	<u>\$ 311,071,478</u>	<u>\$ 294,970,571</u>

Temporarily restricted net assets are subject to donor-imposed stipulations to support scholarships, program activities, and new construction. Such stipulations may or will be satisfied by the actions of the College and/or the passage of time. Temporarily restricted net assets as of May 31, 2008 and 2007 were classified as follows:

	<u>2008</u>	<u>2007</u>
Student loans	\$ 48,604	\$ 48,604
Funds for academic programs and scholarships	2,725,948	2,352,542
Funds for capital improvements	11,864,234	7,817,604
Life income and annuity funds	12,252,728	12,286,770
Pledges receivable	<u>15,889,836</u>	<u>16,807,335</u>
	<u>\$ 42,781,350</u>	<u>\$ 39,312,855</u>

Permanently restricted net assets are subject to donor-imposed stipulations that require the principal to be invested in perpetuity. Investment returns are expendable to support scholarships and program activities. Permanently restricted net assets as of May 31, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Endowment	\$ 85,452,394	\$ 79,627,148
Life income and annuity funds	1,770,991	1,768,658
Pledges receivable	<u>6,359,615</u>	<u>6,085,959</u>
	<u>\$ 93,583,000</u>	<u>\$ 87,481,765</u>

NOTE 9 — EMPLOYEE BENEFIT PLANS

Pension Plans

Academic and certain other salaried employees of the College are participants in the Skidmore College Retirement Plan, a non-contributory defined contribution pension plan. Total contributions by the College for this plan for the years ended May 31, 2008 and 2007 were approximately \$4,101,000 and \$3,755,000, respectively. In addition, the College contributes to pension funds administered by various unions with which the College has collective bargaining agreements. Total contributions by the College to these union funds for the years ended May 31, 2008 and 2007 were approximately \$607,000 and \$555,000, respectively.

SKIDMORE COLLEGE
NOTES TO FINANCIAL STATEMENTS
May 31, 2008 and 2007

NOTE 9 — EMPLOYEE BENEFIT PLANS (Continued)

Pension Plans (Continued)

During 1990, the College determined that the early retirement option that had been offered to non-unionized employees and administered as a severance pay plan was deemed jurisdictional under Title 1 of ERISA as a defined benefit pension plan. Effective November 15, 1990, the College's Board of Trustees voted to freeze all benefits under the early retirement plan and close the plan to new employees. All non-unionized employees employed at the College on November 15, 1990 would be vested under the frozen plan after five years of service.

The following table sets forth the plan's funded status and amounts recognized in the College's statements of financial position as of May 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 1,844,579	\$ 2,105,064
Interest cost	97,155	107,304
Benefits paid	(350,308)	(447,677)
Actuarial (gain) loss	(179,492)	79,888
Increase/(decrease) due to settlement	150,980	-
	<u>\$ 1,562,914</u>	<u>\$ 1,844,579</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 2,059,208	\$ 2,129,349
Actual return on plan assets	25,887	107,365
Employer contribution	150,000	270,171
Benefits paid	(350,308)	(447,677)
	<u>\$ 1,884,787</u>	<u>\$ 2,059,208</u>
Components of pension asset (liability):		
Funded status	<u>\$ 321,873</u>	<u>\$ 214,629</u>
Pension asset (liability)	<u>\$ 321,873</u>	<u>\$ 214,629</u>
Components of net periodic pension cost:		
Interest cost on projected benefit obligation	\$ 97,155	\$ 107,304
Expected return on assets	(53,548)	(69,876)
Amortization of unrecognized net loss	98,147	97,359
Settlement loss	135,897	-
	<u>\$ 277,651</u>	<u>\$ 134,787</u>

The College's funding policy is based upon and is in compliance with ERISA requirements. The College contributed \$150,000 and \$270,000 to the plan for the years ended May 31, 2008 and 2007, respectively. Assumed discount rates of 6.6% and 6.0% were used in accounting for the plan as of May 31, 2008 and 2007, respectively. Expected long-term rates of return on assets of 3.0% and 5.0% were used in accounting for the plan as of May 31, 2008 and 2007, respectively.

SKIDMORE COLLEGE
NOTES TO FINANCIAL STATEMENTS
May 31, 2008 and 2007

NOTE 9 — EMPLOYEE BENEFIT PLANS (Continued)

Postretirement Health Benefits

The College pays for a portion of medical benefits for retired non-unionized employees based upon years of service at retirement date. The College accrues the expected cost of postretirement benefits over the service life of active employees.

Effective May 31, 2008, the College amended its post retirement health benefits. The College has adopted a Medicare Preferred Drug Plan for those employees eligible and hired prior to September 3, 2008. For employees hired on or after September 3, 2008, the College has committed to a 1% increase in the defined contribution plan of the employee. There is a phase in period for eligible employees retiring prior to January 1, 2014. The amended plan adopts the catastrophic coverage terms as mandated by Medicare, and changes certain deductibles and co-pay requirements. The total effect of these plan amendments on the benefit obligation was a decrease of \$9,707,293 as of May 31, 2008. This change is reflected as an amendment in the change in benefit obligation.

The following tables set forth the status of the plan, which is unfunded, as of May 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 34,228,257	\$ 29,652,935
Service cost	1,398,382	1,031,084
Interest cost	2,269,055	1,736,569
Plan participants' contribution	24,692	21,386
Amendments/curtailments	(9,707,293)	-
Medicare Part D Subsidy	101,725	82,135
Actuarial loss (gain)	775,551	2,937,603
Benefits paid	<u>(1,334,127)</u>	<u>(1,233,455)</u>
Benefit obligation at end of year	<u>\$ 27,756,242</u>	<u>\$ 34,228,257</u>
Change in benefit obligation:		
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contribution	1,207,710	1,129,934
Plan participants' contributions	24,692	21,386
Medicare Part D Subsidy	101,725	82,135
Benefits paid	<u>(1,334,127)</u>	<u>(1,233,455)</u>
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status and net amount recognized		
End of year	<u>\$ (27,756,242)</u>	<u>\$ (34,228,257)</u>

SKIDMORE COLLEGE
NOTES TO FINANCIAL STATEMENTS
May 31, 2008 and 2007

NOTE 9 — EMPLOYEE BENEFIT PLANS (Continued)

Postretirement Health Benefits (Continued)

Net periodic postretirement benefit cost for the years ended May 31, 2008 and 2007 includes the following components, and is included in the various functional classifications in the accompanying statements of activities:

	<u>2008</u>	<u>2007</u>
Components of net periodic benefit cost:		
Service cost	\$ 1,398,382	\$ 1,031,084
Interest cost	2,269,055	1,736,569
Amortization of gains and losses	1,031,695	629,034
Amortization of unrecognized prior service cost	<u>(279,364)</u>	<u>(279,364)</u>
Net periodic postretirement benefit cost	<u>\$ 4,419,768</u>	<u>\$ 3,117,323</u>

Actual net health care claims paid for retirees by the College for the years ended May 31, 2008 and 2007 totaled \$1,207,710 and \$1,129,934, respectively. The discount rates used in determining the accumulated postretirement benefit obligation were 6.6% and 6.0% as of May 31, 2008 and 2007, respectively. The assumed pre-65 medical trend rate is 9.5% for the next year, decreasing gradually in future years to 5% by fiscal 2015 and remaining at that level thereafter. The assumed post-65 medical cost trend rate is 7.5% for the next year, decreasing gradually in future years to 5% by fiscal 2015 and remaining at that level thereafter. The assumed prescription drug cost trend rate is 12.5% for the next year, decreasing gradually in future years to 5% by fiscal 2015 and remaining at that level thereafter. Increasing the assumed health care cost trend rate by 1% in each year would increase the accumulated postretirement benefit obligation as of May 31, 2008 by \$4,181,874 and increase the aggregate of the service cost and interest cost by \$776,521. Decreasing the assumed health care cost trend rate by 1% in each year would decrease the accumulated postretirement benefit obligation as of May 31, 2008 by \$3,642,330 and decrease the aggregate of the service cost and interest cost by \$640,073.

Expected benefit payments reflect expected future service for each fiscal year. Shown below are the expected gross payments (including prescription drug benefits) for the next five years and thereafter:

	<u>Gross</u> <u>Payments</u>
2009	\$ 1,079,763
2010	1,204,185
2011	1,373,697
2012	1,496,031
2013	1,599,292
Years 2014-2018	9,105,253

SKIDMORE COLLEGE
NOTES TO FINANCIAL STATEMENTS
May 31, 2008 and 2007

NOTE 10 — CREDIT AGREEMENT

The College has a \$10,000,000 line of credit for working capital purposes with a commercial bank. The rate of interest on the line is equivalent to the London Interbank Offered Rate ("LIBOR") plus 40 basis points. Outstanding balances on the line are secured by an interest in Board designated funds functioning as endowment funds. There were no borrowings outstanding under the line of credit as of May 31, 2008 and 2007.